

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILROAD COMPANY



Duluth, Minnesota 1956

**\$100
LINE**

Annual Report

BOARDS **FOR THE YEAR NINETEEN FIFTY-SIX**

mr6
652.0973
M66632

1856

DULUTH, MINNESOTA

1956

We salute the City of Duluth in honor of its Centennial celebration in the year 1956.

From a hamlet in 1856, built on rocks and sand, Duluth, one hundred years later, in 1956, has grown to one of the most picturesque and important cities in the United States. Built on hills at the western end of Lake Superior, it majestically overlooks that great body of water, the beautiful bay of St. Louis and the St. Louis River; and it is unique in being built in a one-mile wide, 26-mile long strip, surmounted by a 20-mile long boulevard, as on top of a rampart, 600 feet above the water.

Duluth is a transportation center of world renown. The harbor (Duluth-Superior) is the second largest tonnage port in the United States.

Eighteen lines of eight railroads converge there. Thousands of lake vessels arrive and depart each season. Both forms of transport work to move the wealth of an empire in iron ore, manufactured iron and steel, steel, cement, coal, limestone, salt, merchandise of every kind, gasoline and petroleum products, lumber, poles, paper, wood pulp, insulation, grains, flour and feed, and other products of forests and agriculture.

Mining, steel, shipping, manufacturing of forest products, and railroading form the basic background of the city's economy. Allied to mining is the developing Taconite industry on the Mesabi Range and along the shore of Lake Superior east of Duluth.

The first railroad entered Duluth in 1870. The Soo Line entered in 1910.

The cover picture is of a lakeshore section of the industrial area of Duluth served by the Soo Line. Below is a view of a part of the business district and the harbor from Duluth's famed Skyline Boulevard.

Duluth with its many natural advantages has a big future. Latent resources at its back door are only now beginning to be recognized.



ANNUAL REPORT

of the

**Minneapolis, St. Paul & Sault Ste. Marie
Railroad Company**

**FOR THE YEAR ENDED
DECEMBER 31**

1 9 5 6



DIRECTORS

- N. R. CRUMP.....Montreal, Quebec
President, Canadian Pacific Railway Company
- *PAUL V. EAMES.....Minneapolis, Minn.
Chairman of the Board, McCloud Lumber Company
- *MILTON W. GRIGGS.....St. Paul, Minn.
President, Griggs, Cooper and Company
- FRANK T. HEFFELFINGER.....Minneapolis, Minn.
Chairman of the Board, F. H. Peavey & Company
- *HENRY S. KINGMAN.....Minneapolis, Minn.
Chairman of the Board, Farmers and Mechanics Savings Bank of Minneapolis
- HENRY LALIBERTE.....Duluth, Minn.
President, Cutler Magner Company
- *G. ALLAN MACNAMARA.....Minneapolis, Minn.
President, M. St. P. & S. S. M. Railroad Company
- *HOWARD I. McMILLAN.....Minneapolis, Minn.
President, Osborne-McMillan Elevator Company
- GORDON MURRAY.....Minneapolis, Minn.
President, First National Bank of Minneapolis
- COLA G. PARKER.....Neenah, Wisconsin
Director, Kimberly-Clark Corporation
- JOHN S. PILLSBURY.....Minneapolis, Minn.
Honorary Chairman of the Board, Pillsbury Mills, Inc.
- RALPH L. SIMPSON.....Minneapolis, Minn.
Vice President, M. St. P. & S. S. M. Railroad Company
- H. H. WESTLIE.....Minot, N. D.
President, Westlie Motor Company
- ROBERT C. WOOD.....Minneapolis, Minn.
President, Minneapolis Electric Steel Castings Company

One Vacancy

*Member of Executive Committee

GENERAL OFFICES
FIRST NATIONAL-SOO LINE BUILDING
MINNEAPOLIS 2, MINNESOTA

OFFICERS

PRESIDENT.....G. A. MacNAMARA
VICE PRESIDENT.....R. L. SIMPSON
VICE PRESIDENT—PERSONNEL, PUBLIC RELATIONS AND SAFETY.....C. S. POPE
VICE PRESIDENT—TRAFFIC.....W. W. KREMER
GENERAL MANAGER.....J. D. BOND
GENERAL COUNSEL.....F. W. CROUCH
ASSISTANT TO THE PRESIDENT AND SECRETARY.....G. C. STROMBERG
COMPTROLLER.....M. I. LABELLE
INDUSTRIAL AND REAL ESTATE COMMISSIONER.....G. T. BERGREN
TREASURER.....O. J. ANDERSEN
ASSISTANT TREASURER.....W. LEICESTER
ASSISTANT SECRETARY.....C. H. JUETTNER

TRANSFER AND FISCAL AGENTS

•

FIRST MORTGAGE BONDS

TRANSFER AGENTS:

THE NORTHERN TRUST COMPANY
50 S. La Salle Street.....Chicago 90, Ill.

BANK OF MONTREAL TRUST COMPANY
64 Wall Street.....New York 5, N. Y.

FISCAL AGENTS:

THE NORTHERN TRUST COMPANY
50 S. La Salle Street.....Chicago 90, Ill.

AGENCY, BANK OF MONTREAL
64 Wall Street.....New York 5, N. Y.

GENERAL MORTGAGE BONDS

TRANSFER AND FISCAL AGENTS:

HARRIS TRUST AND SAVINGS BANK
115 W. Monroe Street.....Chicago 90, Ill.

THE HANOVER BANK
70 Broadway.....New York 15, N. Y.

COMMON SHARES

TRANSFER AND PAYING AGENT:

THE BANK OF NEW YORK
48 Wall Street.....New York 15, N. Y.

REGISTRAR:

THE HANOVER BANK
70 Broadway.....New York 15, N. Y.

•

ANNUAL SHAREHOLDERS MEETING

Third Tuesday in May at Minneapolis, Minn.

SUMMARY

	1956	1955	Increase or Decrease	%
TOTAL OPERATING REVENUES.....	\$ 47,991,013	\$ 41,615,779	\$ 6,375,234	15.32
TOTAL OPERATING EXPENSES.....	\$ 37,612,524	\$ 33,079,561	\$ 4,532,963	13.70
% of Total Operating Revenues.....	78.37	79.49	1.12	.....
WAGES, PAYROLL TAXES, AND WELFARE BENEFITS \$	24,979,978	22,054,276	2,925,702	13.27
% of Total Operating Revenues.....	52.05	52.99	.94	.....
TAXES (OTHER THAN PAYROLL TAXES).....	\$ 3,485,185	\$ 3,677,425	\$ 192,240	5.23
% of Total Operating Revenues.....	7.26	8.84	1.58	.....
TOTAL WORKING EXPENSES.....	\$ 44,177,612	\$ 38,153,946	\$ 6,023,666	15.79
% of Total Operating Revenues.....	92.05	91.68	.37	.....
INCOME AVAILABLE FOR FIXED AND CONTINGENT CHARGES.....	\$ 4,076,698	\$ 3,648,172	\$ 428,526	11.75
FIXED AND CONTINGENT CHARGES.....	\$ 1,237,537	\$ 1,236,676	\$ 861	.07
Times earned—				
First Mortgage Interest.....	13.4	11.8	.....	.....
General Mortgage Interest.....	6.3	5.5	.....	.....
General Mortgage Sinking Fund.....	29.2	25.0	.....	.....
NET INCOME.....	\$ 2,839,161	\$ 2,411,496	\$ 427,665	17.73
Per share.....	\$ 3.95	\$ 3.35	\$.60	17.73
INVESTMENT IN ROAD AND EQUIPMENT.....	\$161,191,534	\$157,642,923	\$ 3,548,611	2.25
RATE OF RETURN OF NET RAILWAY OPERATING INCOME ON NET INVESTMENT USED FOR TRANS- PORTATION PURPOSES.....	2.72%	2.63%	.09%	.....
LONG TERM DEBT.....	\$ 31,688,324	\$ 29,662,964	\$ 2,025,360	6.83
WORKING CAPITAL.....	\$ 7,377,835	\$ 9,026,562	\$ 1,648,727	18.27
Ratio of Current Assets to Current Liabilities.....	1.51:1	1.75:1	.....	.....
FREIGHT—Carloads.....	297,077	286,875	10,202	3.56
Tons.....	11,273,589	10,852,263	421,326	3.88
Ton miles.....	3,212,886,906	2,918,609,667	294,277,239	10.08
REVENUE PER NET TON MILE.....	1.39c	1.32c	.07c	5.30
NUMBER OF PASSENGERS.....	180,596	163,931	16,665	10.17
REVENUE PER PASSENGER MILE.....	1.96c	1.86c	.10c	5.38

TO THE SHAREHOLDERS:

For the second consecutive year the earnings of your company were at a record high. Net income from all sources was \$2,839,161, an increase of \$427,665, or 17.73%, over the net income of \$2,411,496 for 1955. The 1956 net income amounted to \$3.35 per share of stock after eliminating deferment of Federal Income Taxes on account of amortization charges.

Gross revenues for the year were also at a record high level, amounting to \$47,991,013 compared with \$41,615,779 in 1955, an increase of \$6,375,234, or 15.32%. The cost of producing this revenue, however, materially increased through higher labor, material and other costs.

While the Interstate Commerce Commission granted increases in interstate freight rates within a comparatively short time following the wage increases, there was a period of more than four months in 1956 when higher wages were being paid without corresponding increases in freight rates. Because it is necessary to secure approval of the various State Commissions for similar increases on intrastate traffic, there is always a lapse of time before the railroads are able to receive the full benefits of these necessary economic adjustments.

The western carriers, including your company, applied to the Commission for an additional increase of 17% in freight rates with certain limitations. It is not expected that any decision on this further increase will be reached by the Interstate Commerce Commission until sometime after July 1, 1957.

Another round of wage increases became effective November 1, 1956. Agreements have been reached affecting over 80% of all organized employees. It is estimated, should settlement be reached with the other organized employees on the pattern heretofore established, that the wage increases will cost the company approximately \$1,630,000 in 1957, \$2,470,000 in 1958, and \$3,165,000 in 1959 above the wages paid prior to November 1, 1956.

Effective January 1, 1957, the rate for unemployment insurance increased from 1½% to 2%, adding approximately \$98,000 to the annual cost of payroll taxes.

With respect to proposed legislation pursuant to the report of President Eisenhower's Committee on Transport Policy and Organization, although hearings were held in 1956 by Congressional committees, no legislation was enacted to implement the report. A concerted effort is being made to secure legislation that will give the railroads greater freedom in establishing rates and thereby exercise their right to compete effectively with other forms of transportation. Holders of railroad securities should urge their Senators and Congressmen to vote in favor of such legislation.

In addition to the construction of five hundred box cars completed in February, 1957, your company will construct three hundred box cars at an estimated cost of \$2,078,000. Three additional Diesel-electric locomotives and twenty-five covered hopper cars have been ordered for delivery in 1957 at an estimated cost of \$738,000. Your company has also approved the construction of one hundred flat cars and one hundred gondola cars in 1958.

Plans, subject to approval of the Interstate Commerce Commission, Minneapolis, Minnesota,
March 29, 1957.

Commission, have been made for coordination of operations with the Lake Superior & Ishpeming Railroad between Rapid River and Eben Junction, Michigan, on the Soo Line and between Eben Junction and Marquette, Michigan, on the L. S. & I. R. R., which will extend this company's line to Marquette.

In addition to the dividends of 75¢ per share payable March 30, 1956, your Board of Directors declared a further dividend of 50 cents per share and an extra dividend of 25 cents per share payable on October 31, 1956. On February 11, 1957, a dividend of 50 cents per share and an extra dividend of 25 cents per share were declared, payable March 28, 1957, in consideration of 1956 earnings.

Although operations for the month of January, 1957, resulted in a deficit of \$347,940 due in part to a work stoppage on the Canadian Pacific Railway, business for the year as a whole is expected to be good, but with some leveling off from 1956; however, since this company is primarily a granger road, dependent on the movement of grain for a substantial portion of its revenues, it is very difficult at this time to forecast 1957 earnings.

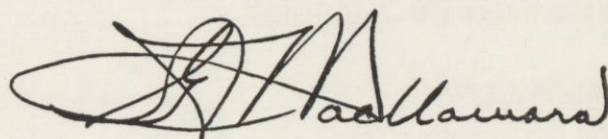
Mr. W. L. Huff resigned from your Board of Directors effective May 15, 1956, and Mr. Robert C. Wood, President of Minneapolis Electric Steel Castings Company, was elected as of that date to fill the vacancy. Prior to the September meeting of the Board, Mr. W. A. Mather, Chairman of the Company, Canadian Pacific Railway Company, and Mr. John E. Blunt, formerly Vice President of the Continental Illinois National Bank and Trust Company of Chicago, resigned from the Board of Directors. Mr. N. R. Crump, President of the Canadian Pacific Railway, and Mr. R. L. Simpson, Vice President of your company, were elected at a meeting of Directors on September 12, 1956, to fill those vacancies.

It is with deep regret that we record the death on November 15, 1956, of Mr. Clive T. Jaffray. Mr. Jaffray was elected President on January 1, 1924, and Chairman on September 1, 1937, of the predecessor company, which latter position he held until reorganization was consummated in 1944. He was elected a Director and member of the Executive Committee of your company September 1, 1944, and remained in those positions until his death. The benefits of his influence in the growth of the Soo Line and the development of Minneapolis and the Northwest are immeasurable.

At a meeting of the Board of Directors held December 12, 1956, Mr. H. I. McMillan, Director of your company, was elected a member of the Executive Committee to fill the vacancy caused by the death of Mr. Jaffray.

It is my privilege to extend the grateful appreciation of the Board of Directors to the entire personnel of the company for their cooperative and conscientious efforts throughout the year.

FOR THE BOARD OF DIRECTORS,



President.

CONDENSED INCOME ACCOUNT

	1956	1955	1954	1953	1952
INCOME RECEIVED					
Operating revenues:					
Freight.....	\$44,810,629	\$38,474,998	\$35,996,252	\$36,222,328	\$38,547,804
Passenger.....	883,025	927,296	978,930	1,060,360	1,105,735
Mail.....	1,104,816	1,058,140	1,188,448	1,168,797	1,204,538
All other.....	1,192,543	1,155,345	1,025,981	1,255,455	1,312,148
Total.....	47,991,013	41,615,779	39,189,611	39,706,940	42,170,225
Other income.....	284,667	219,224	181,717	184,535	195,919
Total income received.....	48,275,680	41,835,003	39,371,328	39,891,475	42,366,144
EXPENSES AND CHARGES					
Operating expenses:					
Maintenance of way and structures.....	9,662,188	8,312,719	8,334,212	8,987,693	9,438,191
Maintenance of equipment.....	8,110,928	7,620,441	7,581,398	8,211,527	8,022,326
Traffic.....	1,128,273	1,008,429	958,651	936,211	906,152
Transportation.....	16,751,113	14,466,908	14,993,061	15,675,534	16,528,605
Miscellaneous operations.....	225,698	232,887	239,982	254,883	237,367
General.....	1,734,324	1,438,177	1,348,019	1,346,377	1,265,788
Total.....	37,612,524	33,079,561	33,455,323	35,412,225	36,398,429
Other operating charges:					
Railway tax accruals.....	4,988,207	4,889,727	3,019,210	2,722,538	3,599,268
Equipment rents—net.....	1,287,572	66,347	21,105	125,953	38,499
Joint facility rents.....	289,309	251,005	221,760	264,934	223,978
Total.....	6,565,088	5,074,385	3,219,865	2,861,519	3,861,745
Miscellaneous deductions from income.....	21,370	32,885	17,516	34,331	13,778
Fixed charges:					
Rent for leased road and equipment.....	1,685	1,685	1,685	1,685	1,685
Interest on equipment obligations.....	292,672	290,359	128,743	113,304	78,815
Interest on unfunded debt.....	965	375	391	524	3,063
Amortization of discount on funded debt.....	7,260	7,111	6,545	6,085	4,071
Total.....	302,582	299,530	137,364	121,598	87,634
Available for contingent charges.....	3,774,116	3,348,642	2,541,260	1,461,802	2,004,558
Contingent Charges:					
Interest on First Mortgage Bonds.....	282,158	283,909	283,909	283,909	283,909
Interest on General Mortgage Bonds.....	552,152	552,592	564,352	572,432	579,472
Sinking Fund—General Mortgage.....	100,645	100,645	100,645	100,645	100,645
Total.....	934,955	937,146	948,906	956,986	964,026
NET INCOME.....	\$ 2,839,161	\$ 2,411,496	\$ 1,592,354	\$ 504,816	\$ 1,040,532

Figures in Bold Face Denote Contra.

REVIEW OF THE YEAR 1956

Net income increased from \$2,411,496 in 1955 to \$2,839,161 in 1956, a gain of \$427,665 or 17.73%. While gross revenues increased by 15.32% compared with an increase in total operating expenses of 13.70%, it is well to point out that the more favorable showing in net income was due principally to a reduction of \$391,000 in accruals for federal income taxes because of charges occurring in 1956 against income for federal tax purposes that, pursuant to instructions by the Interstate Commerce Commission, were not charged to income on the books. This is the highest net income of the company since the reorganization, but still produced a return on net investment of only 2.72%.

Economies were effected wherever possible, which is evidenced by the improvement in the ratio of operating expenses to operating revenues from 79.49% in 1955 to 78.37%, despite increases in labor and material rates, without sacrificing the proper standard of maintenance of the company's property. The more efficient operations are clearly indicated by the increase in the average gross ton miles per freight train hour from 44.511 in 1955 to 46.177.

Costs charged to capital account for improvement of roadway and equipment made during the year amounted to \$5,826,819.

FREIGHT REVENUES

Freight revenues in 1956 amounted to \$44,810,629 compared with \$38,474,998 in 1955, an increase of \$6,335,631 or 16.47%. This substantial increase was due to the increase in freight rates in effect most of the year and to the movement of a greater volume of freight traffic, including an increased proportion of higher rated commodities. Freight handled totaled 11,273,589 tons in 1956 compared with 10,852,263 tons in 1955, an increase of 421,326 tons, or 3.88%, whereas freight ton miles increased from 2,918,609,667 to 3,212,886,906, or 10.08%.

Revenues from Products of Agriculture increased from \$13,315,731 in 1955 to \$15,857,982 in 1956, a gain of \$2,542,251, or 19.09%. The increased movement of grain was responsible for the substantial increase in this commodity group. The following table compares 1956 grain revenues with 1955 revenues:

Kind of Grain	REVENUES		Percent of	
	1956	1955	Increase	Increase
Wheat	\$ 6,497,609	\$ 5,767,681	\$ 729,928	12.66
Corn	334,762	197,042	137,720	69.89
Oats	1,233,568	900,897	332,671	36.93
Barley	3,721,282	2,806,083	915,199	32.61
Rye	765,754	291,056	474,698	163.10
Other grain	1,745,176	1,731,427	13,749	.79
Totals	\$14,298,151	\$11,694,186	\$2,603,965	22.27

Early in 1956 the Commodity Stabilization Service commenced shipping grain from country elevator storage to the terminal storage centers. Under this program the company received an unusually heavy movement of grain during the early months of the year, which contributed greatly in converting a period of normally deficit operations into income producing months. Because of the good crop in 1956, grain shipments during the balance of the year were about normal and resulted in a total movement of grain for the year of 71,469,000 bushels compared with 62,123,000 bushels during the year 1955. The small potato crop in areas served by the Soo Line was the reason for lower revenues of \$214,471 from this commodity in 1956 than the \$334,938 received in 1955, a decline of \$120,467, or 35.97%.

Revenues from Animals and Animal Products again decreased somewhat, from \$648,168 in 1955 to \$613,469 in 1956, a decrease of \$34,699, or 5.35%.

Revenues from Products of Mines amounted to \$5,368,469 in 1956 compared with \$5,063,582 in 1955, an increase of \$304,887, or 6.02%. A decrease of \$362,406, or 19.44%, in iron ore revenues, from \$1,864,370 in 1955 to \$1,501,964 in 1956 resulted to some extent from the steel strike in July and August, 1956, which curtailed shipments of ore during that period. Bituminous coal recovered somewhat from the gradual decline of recent years because of a resurgence in the use of coal. Revenues from soft coal rose from \$644,847 in 1955 to \$704,188 in 1956, an increase of \$59,341, or 9.20%. Revenues from lignite coal continued to decline, dropping from \$571,573 in 1955 to \$470,246 in 1956, a loss of \$101,327, or 17.73%, in revenues due to the increased use of natural gas now being produced in the area as well as to the generation of electricity at the Garrison dam. Revenues from stone and rock were down \$73,979 from \$690,029 in 1955. Shipments to the Garrison dam in North Da-

kota remained substantial and were chiefly responsible for producing revenues of \$616,050 in this category in 1956. Requirements for this material at the dam have ended. In 1956 there was a substantial movement of Canadian oil which raised crude petroleum revenues from \$115,391 in 1955 to \$622,944 in 1956, an increase of \$507,553, but this movement was of a temporary nature pending completion of certain pipe lines. Coke and industrial sand provided an additional increase in revenues of \$147,442.

Products of Forests continued the steady increase of recent years, providing revenues in 1956 of \$7,891,748 compared with \$7,070,329 in 1955, an increase of \$821,419, or 11.62%. Principal increases were in pulpwood and lumber, shingles, and lath. Pulpwood revenues of \$1,231,633 in 1956 were \$365,756, or 42.24%, higher than the 1955 revenues of \$865,877. The increase of \$210,368, or 4.09%, from lumber, shingles, and lath, which produced revenues amounting to \$5,353,603 in 1956 compared with \$5,143,235 in 1955, was mainly due to the rate increase as the tonnage handled in 1956 was somewhat less than in 1955 reflecting the decrease in residential construction.

Revenues from the commodity group Manufactures and Miscellaneous were \$13,914,757 in 1956 compared with \$11,266,748 in 1955, an increase of \$2,648,009, or 23.50%. A substantial part of this increase occurred in iron and steel pipe, which produced revenues of \$1,758,577 in 1956, an increase of \$1,310,502, or 292.47%, over the 1955 revenues of \$448,075, due principally to a heavy movement to Canada for oil and gas pipe line construction. The continuing movement of pipe is expected during the year 1957. There were other smaller increases in gasoline and petroleum products of \$112,989, or 12.86%; manufactured iron and steel, \$131,529, or 17.36%; agricultural implements and parts, \$116,276, or 33.20%; newsprint paper, \$111,580, or 9.50%; woodpulp, \$152,448, or 17.49%; machinery and machines, \$128,643, or 29.33%; automobiles, trucks, and other motor vehicles, \$230,316, or 49.88%; and scrap iron and steel, \$79,577, or 26.65%.

PASSENGER REVENUES

Passenger revenues in 1956 continued the downward trend despite an increase in fares of 5% that went into effect May 1, 1956. Revenues in 1956 amounted to \$883,025 compared with \$927,296 in 1955, a decrease of \$44,271, or 4.77%. A total of 180,596 passengers were carried in 1956 compared with 163,931 passengers in 1955; however, the average haul per passenger declined from 304.3 miles to 250.0 miles.

An additional 5% increase in passenger fares became effective on January 1, 1957.

MAIL REVENUES

Mail revenues in 1956 were \$1,104,816 compared with \$1,058,140 in 1955, an increase of \$46,676, or 4.41%.

EXPRESS REVENUES

The company's share of express revenues was \$256,094 in 1956 compared with \$226,269 in 1955, an increase of \$29,825, or 13.18%. The additional revenues are due in part to an increase in volume and in part to an increase in rates of 7% that went into effect March 20, 1956. A further emergency increase of 4% became effective December 27, 1956.

COST OF OPERATIONS

Total Working Expenses, which includes operating expenses, taxes, equipment rents, and joint facility rents, amounted to \$44,177,612, or 92.05% of total operating revenues, compared with \$38,153,946, or 91.68%, in 1955.

Operating expenses in 1956 amounted to \$37,612,524, an increase of \$4,532,963, or 13.70%, over the \$33,079,561 in 1955, due principally to increases in wage rates and fringe benefits during the time they were in effect or accrued in 1956 amounting to approximately \$1,773,080, and the balance, or \$2,759,883 of the total increase in operating expenses was due to the greater volume of freight hauled and other causes.

Maintenance of Way and Structures cost \$9,662,188 in 1956 compared with \$8,312,719 in 1955, an increase of \$1,349,469, or 16.23%. In 1956 a total of 365,083 cross ties were replaced, or 10,784 more than in 1955. Rail was relaid in 46.16 miles of main track in 1956 (33.07 miles with new rail and 13.09 miles with relay rail) whereas rail was relaid in only 36.36 miles of main track in 1955 (22.22 miles with new rail and 14.14 miles with relay rail). Side tracks relaid with relay rail in 1956 amounted to 8.30 miles compared with 4.71 miles in 1955. A total of 262,833 cubic yards of track ballast was applied during the year compared with 218,600 cubic yards in 1955. Shops and engine-houses increased \$80,897 from \$156,560 in 1955 to \$237,457 in 1956 principally because of charges to that account in connection with conversion of an existing facility into a modern Diesel-electric locomotive repair shop at Minneapolis. Maintenance of roadway machines increased in 1956 by \$65,308 as a result of the increased use of labor-saving machines in the perform-

ance of track maintenance work. Heavier snowfall on certain lines during 1956 than in the previous year increased the cost of removing snow. Retirements-Road increased from \$114,795 in 1955 to \$209,445 in 1956, a difference of \$94,650, because of the retirement of track removed between Bemidji and Schley, Minnesota, in connection with the coordination of facilities with the Great Northern Railway in Minnesota and North Dakota, which was mentioned in the 1955 report.

The cost of Maintenance of Equipment rose from \$7,620,441 in 1955 to \$8,110,928 in 1956, an increase of \$490,487, or 6.44%. Repairs to Diesel-electric locomotives cost \$1,996,142 in 1956 compared with \$1,725,369 in 1955, an increase of \$270,773. These locomotives were operated 356,760 more miles in 1956 than in 1955 and some of them are now reaching the age when repair costs may be expected to increase.

Passenger-train car repairs increased \$87,971, from \$604,196 in 1955 to \$692,167 in 1956, partly in connection with the modernization of two sleeping cars for use in the Twin Cities-Winnipeg service.

The increase in Transportation expenses was due to the greater volume of freight hauled as well as higher labor and material costs. The total amounted to \$16,751,113 in 1956 compared with \$14,466,908 in 1955, an increase of \$2,284,205, or 15.79%. Freight ton miles in 1956 were 3,212,886,906 compared with 2,918,609,667 in 1955, an increase of 294,277,239 ton miles, or 10.08%. Beside the increase of 421,326 tons of freight handled in 1956, each ton was hauled an average of 285 miles in 1956 compared with 268.9 miles in 1955, an increase of 16.1 miles per ton, or 5.99%.

Net Equipment Rents increased \$1,353,919 over 1955 due principally to the increase in net payments made in connection with freight cars amounting to \$1,327,753. This increase resulted principally from increased per diem payments for use of other lines' cars incident to handling a substantial increase in loads received from connections, heavier use of other railroads' cars in on-line loadings including the increased grain shipments from country elevators, and increased mileage payments to private car lines because of the increased use of tank cars in handling the Canadian oil shipments.

The per diem rate for the use of foreign line cars was raised effective January 1, 1957, from \$2.40 to \$2.75.

Accruals for taxes increased \$98,480, or 2.01%, from \$4,889,727 in 1955 to \$4,988,207 in 1956.

All taxes other than federal income taxes rose from \$2,828,727 in 1955 to \$3,318,207 in 1956, an increase of \$489,480, or 17.30%. Railroad unemployment taxes increased from \$89,841 in 1955 to \$295,215 in 1956, or \$205,374, due principally to the increase in the rate from one-half of 1% to 1½% effective January 1, 1956; and effective January 1, 1957, the rate became 2%. State, local, and other property taxes amounted to \$1,815,185 in 1956, an increase of \$198,760 over the \$1,616,425 for the previous year, the primary reason being an increase of \$139,115 in accruals for the Minnesota gross earnings tax because of higher revenues in that state.

Accruals for the 1956 federal income tax liability amounted to \$1,670,000, which is \$391,000 less than the \$2,061,000 for 1955. Certain charges not affecting net income permitted a substantial reduction in federal income taxes. These were: charges for retirement of the line between Bemidji and Schley, Minnesota, upon completion of the coordination with the Great Northern Railway of lines of railroad in Minnesota and North Dakota; the accrual, subject to approval of the Internal Revenue Service, for that part of the 1956 deposit into the pension trust fund representing prior years' services of eligible employees; and an increase in charges for tax purposes for amortization of road and equipment in excess of normal depreciation.

The company continues to take advantage, to the extent permitted by law and as deemed advisable, of the amortization for tax purposes of a part of the cost of certain equipment. The procedure employed and the effect of this practice on current and future federal income taxes were expressed in the report for the year 1955, in which the point was made that the reduction of federal income taxes, in the years in which amortization in excess of normal depreciation is taken as a deduction from income for tax purposes, is in effect a deferment of the payment in whole or in part of such taxes.

As indicated in the table on page 22, the total reduction in federal income taxes in the years from 1950 through 1956, during which amortization has been taken as a deduction from income, amounts to \$1,807,705. In accordance with Interstate Commerce Commission practice, no reserve has been set up on the books for the liability in future years of the deferred taxes.

Included in the federal income tax returns for the year 1952 was a claim for bad debt loss sustained in connection with the compromise agreement reached in settlement of claims for advances made to the Wisconsin Central Railway Company. The inclusion of this claim in the 1952 tax return resulted in a net operating loss for income tax purposes for that year, and under the carry-back provisions of the Internal Revenue Code a claim for refund was filed for the entire tax paid for the year 1951. Under the carry-forward provisions of the Code the balance of the loss was applied against all of the 1954 income and part of the 1955 income (the Company did not have taxable income in 1953).

In view of the fact that the bad debt loss deduction was and is subject to review by the Treasury Department, accruals were made on the books for federal income taxes for the years 1952, 1954 and 1955 without any reduction for this claim. As indicated on page 16, the amount of the income taxes so accrued for 1952, 1954 and 1955 have been placed on special deposit. The bad debt loss carry-forward was exhausted in 1955.

The company's claim for bad debt loss is still being considered by the Treasury Department in connection with its audit of the federal income tax return for the year 1952 and application for refund of the taxes paid in 1951.

LABOR AND WAGES

The labor organizations representing railroad employees served another round of demands for wage increases during the year 1956. At the year's end all but the engineers, conductors, brakemen, dispatchers and yardmasters had reached agreement in settlement of their wage requests. Of the settlements made, all but two were three-year agreements providing for first, second and third year increases, semi-annual cost-of-living adjustments and a three-year moratorium on demands for wage increases or compensatory rules changes.

The first of the settlements reached was entered into on November 1, 1956, between the nation's carriers and eleven cooperating labor organizations representing non-operating employees. This agreement made provision for:

1. A wage increase of 10 cents per hour effective November 1, 1956.

2. A second wage increase of 7 cents per hour effective November 1, 1957.
3. A third wage increase of 7 cents per hour effective November 1, 1958.
4. A cost-of-living wage adjustment to be made commencing May 1, 1957, and each six months thereafter of one cent for every one-half point change in the Bureau of Labor Statistics Consumers' Price Index above a base index of 117.1.
5. Increase in the carrier-paid hospital, medical and surgical insurance plan from \$6.80 to \$11.05 per employee per month in order to extend benefits to dependents of covered employees beginning December 1, 1956.
6. A three-year moratorium from November 1, 1956, on demands for wage increases or compensatory rules changes.

On November 20, 1956, a national agreement conforming to the pattern of the settlement with the non-operating employees was entered into with the Brotherhood of Locomotive Firemen and Enginemen providing for similar wage increases, cost-of-living adjustments, and three-year moratorium. The only significant differences in the terms of the two agreements are as follows:

1. In lieu of a contribution by the carriers to the cost of a hospital, surgical, and medical insurance plan for dependents, the labor organization elected to apply an equivalent sum to an increase in the rates of pay for yard service employees. Effective November 1, 1956, therefore, yard service employees on a five-day work week basis received an additional 6 cents per hour, or a total rate increase of 16 cents per hour.
2. The organization reserved the right to elect to make provision for the payment of a hospital, medical, and surgical insurance plan from the increase of 7 cents per hour to become effective November 1, 1957.

On December 3, 1956, the Brotherhood of Sleeping Car Porters entered into an agreement patterned after that of the Eleven Cooperating Railway Labor Organizations.

The Mechanical Department Supervisors, through agreement dated December 4, 1956, were granted in-

creases of \$35.00 per month effective November 1, 1956. Of this amount \$4.25 is in lieu of health and welfare benefits for dependents.

The Subordinate Officials in the Maintenance of Way and Structures Department followed on December 11 with an agreement providing for an increase, effective November 1, 1956, of 6% per month plus \$4.25 per month in lieu of health and welfare benefits for dependents.

At this time settlements of the demands of the trainmen, conductors, engineers, yardmasters and train dispatchers are still pending.

FREIGHT TRAFFIC AND RATES

On March 7, 1956, increased rates authorized by the Interstate Commerce Commission in the proceedings known as Ex Parte 196 became effective. This decision authorized an increase of 6% with certain exceptions. On grain, livestock, meats and packing house products this increase was limited to 5%; on lumber the increase was held to a maximum of first 6¢ and later in the year 5¢ per cwt. On coal a maximum increase of 15¢ per ton was awarded. On lake and rail coal originating in the east and moving over the Great Lakes, the increase was 7¢ per ton to cover the movement from the Lake Superior and Lake Michigan docks to the interior. The effect of the exceptions resulted in an over-all increase of approximately 4% in the freight revenues accruing to the company.

In September, 1956, in a proceedings now designated as Ex Parte 206, a petition for a further increase of 15%, subject to certain exceptions, was filed with the Interstate Commerce Commission.

After the November 1 wage award was made, a petition was filed asking for immediate relief through freight rate increases of 7%, again subject to certain exceptions, to cover the cost of the wage increase and the increase in the cost of materials and supplies, this 7% petition to be considered as an interim award in the general Ex Parte 206. On December 17, 1956, the Commission issued its decision in this interim case, awarding a general increase of 7% within the eastern territory, 5% within the western territory, and 5% between western territory and eastern and southern territories. In this decision certain exceptions were also prescribed on various commodities which had the general result of providing another over-all increase of

approximately 4% in freight revenues, effective December 28, 1956.

On January 11, 1957, the rail carriers, except the southern lines, filed a petition with the Interstate Commerce Commission seeking amendment of the September petition by changing the asked-for increases from 15% to 22%, this 22% to be inclusive of the 7% and 5% increases awarded in the interim case, effective December 28, 1956. On February 1, 1957, the southern lines filed a petition with the Interstate Commerce Commission for authority to increase freight rates and charges within, from, to and via southern territory in the amount of 15% inclusive of the 5% emergency increase which became effective February 23, 1957, within southern territory. On February 19, 1957, the Interstate Commerce Commission consolidated these petitions and scheduled the matter for hearing at Washington, D. C., on April 8, 1957, with oral argument set for May 1. The effect of this decision, when rendered, cannot be determined at this time.

During the year 1956 forty-two permanent industrial plants and twenty-seven temporary industrial installations such as storage yards and unloading facilities for various commodities were located on company property. Ten new industries were located on adjacent private property with rail service provided from company trackage, and industry owned subterminal elevators were constructed at Minot and Carrington, North Dakota. Twenty-three new leases were negotiated covering sites for expansion of existing industrial plants. These developments are expected to produce substantial additional freight traffic for the company.

NEW EQUIPMENT

The construction of the 500 50-ton 40'6" all-steel box cars mentioned in the previous report was not completed in 1956 because of delays in material deliveries; however, 297 cars were completed by the end of the year and the balance of 203 cars were completed in February, 1957.

Three hundred additional 50-ton 40'6" all-steel box cars with nailable steel flooring will be constructed as soon as the material is received. It is expected that these cars will be completed in 1957.

The purchase of three 1,750 horsepower road-switch Diesel-electric locomotives has been authorized as well as the acquisition of 100 70-ton 53'6" flat cars, 100 70-ton 52'6" gondola cars, and 25 70-ton covered

hopper cars. The estimated cost of this equipment is \$2,015,000. It is expected that the three Diesel-electric locomotives will be received before the middle of 1957 and that the 25 covered hopper cars, which will be purchased, will be received later in 1957.

PENSIONS

For many years the company has paid pensions to retired officers and employees holding positions which are excepted from union contracts; and such pensions have been charged to operating expenses and apportioned between the company and the Wisconsin Central in accordance with the provisions of the Memorandum of Operating Agreement. During the year 1956 the company created a pension trust and, if the company's pension plan and pension trust are approved by the Internal Revenue Service as a Qualified Plan and Trust under the Internal Revenue Code of 1954, deposits will be made to the trust fund and payments of the company's portion of said pensions maturing after December 31, 1956, will be made from said fund. It is expected that the pension trust will result in substantial annual savings to the company, especially in the years commencing January 1, 1967.

INTEGRATED DATA PROCESSING

While the company has for some years made use of the conventional type of electronic and mechanical equipment in the processing of payrolls, statistics, car accounting and other phases of general office work,

there have been a number of new developments in the last two years in the type of equipment on the market to facilitate the handling of paper work. The new concept today is, to use a popular term, "Integrated Data Processing," which literally means preparation of data from source documents at the earliest possible time by use of modern machines and transmission methods, so that all data relating to such source documents may be integrated within a system of mechanical reproduction for all requirements and needs. The company is keeping abreast of progress in this field and studies are now under way and have been for some time in respect to use of new methods of communication, the use of common language machines and electronic data processing equipment. It is anticipated that when these studies are completed and diversions gradually made to the new methods of handling paper work, substantial economies will be achieved, and management will have available more accurate and prompt information for the daily decisions necessary in the operations of the company's affairs and will be in a better position to furnish information and service to its customers.

WISCONSIN CENTRAL RAILROAD COMPANY

The company continues to operate the Wisconsin Central Railroad Company properties under the same operating agreement as heretofore. Further revisions of that agreement were made during the year to conform to present conditions.

Table of Net Income and Dividends Paid since September 1, 1944

Year	Net Income	Dividends Paid	
		Total	Per Share
9/1 — 12/31/44	\$ 1,053,326		
1945	1,754,433		
1946	154,188	\$1,797,760	\$ 2.50
1947	1,183,000	719,104	1.00
1948	1,770,421	719,104	1.00
1949	1,148,481	719,104	1.00
1950	1,544,969	719,104	1.00
1951	1,867,537	719,104	1.00
1952	1,040,532	719,104	1.00
1953	504,816	359,552	.50
1954	1,592,354	359,552	.50
1955	2,411,496	719,104	1.00
1956	2,839,161	1,078,656	1.50
Totals	\$18,864,714	\$8,629,248	\$12.00

Dividends of \$539,328 at the rate of 75c per share were declared February 11, 1957, payable March 28, 1957, in consideration of earnings for 1956.

COMPARATIVE GENERAL

ASSET SIDE

CURRENT ASSETS:	Dec. 31, 1956	Dec. 31, 1955	Increase	Decrease
Cash.....	\$ 3,874,815	\$ 4,223,235	.....	\$ 348,420
U. S. Government securities.....	4,060,455	6,594,301	.....	2,533,846
Special Deposits:				
For interest and other obligations.....	2,563,975	1,030,466	\$1,533,509	.....
Employees' Income Tax and War Bonds	14,879	16,061	.....	1,182
For distribution to holders of First Consolidated Bonds of Predecessor Company.....	4,494	4,901	.....	407
Traffic and car-service balances.....	1,900,978	822,993	1,077,985	.....
Agents' and conductors' balances	1,068,707	1,002,928	65,779	.....
Miscellaneous accounts receivable.....	1,297,409	1,017,352	280,057	.....
Material and supplies.....	6,135,641	5,868,521	267,120	.....
Interest and dividends receivable.....	47,517	36,394	11,123	.....
Accrued accounts receivable.....	744,098	384,592	359,506	.....
Other current assets.....	90,370	97,099	.....	6,729
Total.....	21,803,338	21,098,843	704,495	.....
DEFERRED ASSETS:				
Working fund advances.....	47,655	45,071	2,584	.....
Other deferred assets.....	658,724	882,451	.....	223,727
Total.....	706,379	927,522	.....	221,143
UNADJUSTED DEBITS:				
Prepayments.....	35,881	109,032	.....	73,151
Discount on funded debt.....	96,202	75,133	21,069	.....
Other unadjusted debits.....	804,085	731,635	72,450	.....
Total.....	936,168	915,800	20,368	.....
INVESTMENTS IN SECURITIES, ADVANCES AND SPECIAL DEPOSITS:				
Sinking Fund—General Mortgage.....	162	122	40	.....
Deposits with Northern Trust Co.....	56,207	39,809	16,398	.....
First National Bank—Trust Equipment.....	2,663,704	6,100	2,657,604	.....
Investments in affiliated companies:				
Stocks—Pledged under First Mortgage.....	222,275	222,275	.....	.....
Stocks—Pledged under Gen'l. Mortgage.....	900,000	900,000	.....	.....
Stocks—Unpledged.....	300	300	.....	.....
Advances.....	567,462	492,753	74,709	.....
Other Investments.....	18,725	22,130	.....	3,405
Total.....	4,428,835	1,683,489	2,745,346	.....
INVESTMENT IN PROPERTY:				
Road.....	115,109,742	114,527,892	581,850	.....
Equipment.....	46,081,792	43,115,031	2,966,761	.....
Miscellaneous physical property.....	184,041	183,765	276	.....
Total.....	161,375,575	157,826,688	3,548,887	.....
Less:				
Acquisition adjustment.....	22,272,985	16,524,115	5,748,870	.....
Donations and grants.....	2,739,423	2,749,210	.....	9,787
Accrued depreciation—road.....	12,469,753	12,149,195	320,558	.....
Accrued depreciation—equipment.....	15,661,514	21,107,070	.....	5,445,556
Accrued amortization of Defense Projects—equipment.....	2,966,741	2,989,873	.....	23,132
Total.....	56,110,416	55,519,463	590,953	.....
Net.....	105,265,159	102,307,225	2,957,934	.....
GRAND TOTAL.....	\$133,139,879	\$126,932,879	\$6,207,000	.....

See page 16 for comments on the balance sheet.

BALANCE SHEET

LIABILITY SIDE

CURRENT LIABILITIES:	Dec. 31, 1956	Dec. 31, 1955	Increase	Decrease
Audited accounts payable.....	\$ 835,111	\$ 1,120,317	.....	\$ 285,206
Wages payable.....	2,631,776	2,407,442	\$ 224,334	.....
Miscellaneous accounts payable.....	1,074,795	969,136	105,659	.....
Interest matured unpaid.....	905,329	915,839	.....	10,510
Unmatured interest accrued.....	51,247	33,409	17,838	.....
Accrued accounts payable.....	2,443,067	2,124,304	318,763	.....
Taxes accrued.....	5,227,948	4,101,169	1,126,779	.....
Wisconsin Central Railroad Co.....	849,270	24,495	824,775	.....
Other current liabilities.....	406,960	376,170	30,790	.....
Total.....	14,425,503	12,072,281	2,353,222	.....
(Ratio of Current Assets to Current Liabilities: 1956—1.51:1 1955—1.75:1)				
DEFERRED LIABILITIES.....	388,895	129,183	259,712	.....
UNADJUSTED CREDITS:				
Reserve for land grant deductions.....	4,036	15,792	.....	11,756
Other unadjusted credits.....	530,845	591,031	.....	60,186
Accrued depreciation—leased property.....	3,984	3,586	398	.....
Total.....	538,865	610,409	.....	71,544
LONG-TERM DEBT:				
First Mortgage, 4½%, Cumulative Income Bonds, Series A, 1-1-71.....	6,244,000	6,309,000	.....	65,000
Issued..... \$10,000,000				
Held in Treasury..... 3,756,000				
General Mortgage, 4%, Income Bonds, Series A, 1-1-91.....	13,803,800	13,961,800	.....	158,000
Issued..... \$20,129,000				
Retired through Sinking Fund..... 2,823,300				
Held in Treasury..... 1,501,900				
Retired by Company..... 2,000,000				
Equipment Conditional Sale Agreements.....	5,220,524	5,292,164	.....	71,640
Equipment Trusts.....	6,420,000	4,100,000	2,320,000	.....
Total.....	31,688,324	29,662,964	2,025,360	.....
CAPITAL STOCK:				
719,104 Common shares of no par value stated at \$86.50 per share.....	62,202,496	62,202,496	.....	.....
SURPLUS:				
Unearned Surplus.....	7,804	7,247	557	.....
Earned Surplus—Appropriated.....	3,294,943	3,194,298	100,645	.....
Earned Surplus—Unappropriated.....	20,593,049	19,054,001	1,539,048	.....
Total.....	23,895,796	22,255,546	1,640,250	.....
GRAND TOTAL.....	\$133,139,879	\$126,932,879	\$6,207,000	.....

See page 16 for comments on the balance sheet.

COMMENTS ON THE BALANCE SHEET

CONTINGENT ASSETS NOT RECORDED

The company has a contingent interest in 23,850 shares of Wisconsin Central Railroad Company common stock allotted to it in the plan of reorganization of the latter company's predecessor, consummated on March 1, 1954. These 23,850 shares of stock were deposited in escrow pending the outcome of claims by the Wisconsin Central First and Refunding 5% bond holders to rights of subrogation to a part of this stock. Upon conclusion of the litigation of this question the appropriate amount of shares will be recorded as an asset on the balance sheet.

SPECIAL DEPOSITS

Included in the amount of \$2,563,975 "For interest and other obligations" is a reserve fund of \$2,510,000 for payment of federal income taxes for the years 1952 and 1954 and \$1,535,000 of the liability for 1955 (no income tax liability existed for the year 1953), which will be held on deposit until final determination is made with respect to the validity of the claimed deduction for the bad debt losses arising from reorganization of the Wisconsin Central Railway Company. For further explanation see page 11.

INVESTMENTS IN SECURITIES, ADVANCES AND SPECIAL DEPOSITS

Included in the amount of \$2,663,704 under "First National Bank—Trust Equipment" are the proceeds from the sale of Equipment Trust Certificates, Series C, in the amount of \$2,640,000. Upon completion of the trust equipment in February, 1957, these funds were drawn down from the trustee of the equipment trust and transferred to cash under Current Assets.

ACQUISITION ADJUSTMENT AND ACCRUED DEPRECIATION—EQUIPMENT

The Interstate Commerce Commission recomputed the depreciated values of all company equipment as of January 1, 1956, and determined the amount required in the equipment depreciation reserve as of that date, in accordance with depreciation rates prescribed by the Commission, which was \$6,225,000 less than the reserve on the books. Upon the recommendation of the Commission, and to bring the equipment depreciation reserve in harmony with equipment owned as of that date, the reserve was adjusted. An adjustment increasing the road property depreciation reserve by \$36,092 was also entered on the books. The net offset of \$6,188,908 was credited to Acquisition Adjustment.

In connection with the coordination of facilities with the Great Northern Railway in Minnesota and North Dakota the Interstate Commerce Commission authorized a charge to Acquisition Adjustment of \$440,038 in 1956 representing the part of the service value applicable to the period prior to September 1, 1944, resulting from

retirement of the line from Bemidji to Schley, Minnesota, to avoid distortion of the operating expense accounts.

TAXES ACCRUED

In the amount of \$5,227,948 are accruals for federal income taxes of \$675,000 for the year 1952, \$300,000 for 1954, \$1,701,877 for 1955, and \$1,317,643 for 1956.

The taxes for the years 1952, 1954 and 1955 totaling \$2,676,877 were computed without regard to the company's claim for bad debt loss arising from the reorganization of the Wisconsin Central Railway Company, but the taxes so accrued have not and will not be paid pending determination of the validity of the company's claim. For further explanation see page 11.

Since the bad debt loss claimed by the company was exhausted in 1955, the tax accrued for the year 1956 will be paid as it becomes due.

LONG TERM DEBT

Long term debt was increased in 1956 by a net amount of \$2,025,360.

Outstanding First Mortgage Bonds were reduced in the principal amount of \$65,000 through purchases on the open market, and outstanding General Mortgage Bonds were reduced in the principal amount of \$158,000 through the operation of the Sinking Fund.

The obligation under equipment conditional sale agreements was reduced a net amount of \$71,640. New conditional sale agreements were executed as of March 15, 1956, amounting to \$417,803 for the purchase of three new Diesel-electric locomotives and \$133,600 for the construction of 22 70-ton covered hopper cars, a total of \$551,403, representing approximately 80% of the cost of the equipment. Payments during the year to reduce the principal of all such debt amounted to \$623,043.

Equipment trust obligations increased a net amount of \$2,320,000. Additional trust certificates, Series C, were issued November 1, 1956, in the amount of \$2,640,000 to finance approximately 80% of the cost of the construction of 490 box cars. Payments during the year on the principal of outstanding equipment trust debt amounted to \$320,000.

SURPLUS

In accordance with Minnesota Law, earned surplus at September 1, 1944, in the amount of \$11,364,138 is designated as "Paid-in Surplus."

CONTINGENT LIABILITIES NOT RECORDED

This company is jointly and severally liable with seven other railroads for the principal and interest on \$11,614,000 of First and Refunding Mortgage 3½% Bonds Series "B" of The Saint Paul Union Depot Company. Interest has been paid by The Saint Paul Union Depot Company on these Bonds as it matured.

EARNED SURPLUS ACCOUNT

	To Dec. 31, 1955	Year 1956	To Dec. 31, 1956
EARNED SURPLUS—APPROPRIATED:			
Period prior to September 1, 1944:			
For Capital Fund.....	\$ 500,000		\$ 500,000
For Sinking Fund.....	369,032		369,032
For Retirement of Funded Debt.....	1,184,623		1,184,623
Total.....	2,053,655		2,053,655
Period subsequent to September 1, 1944:			
For Sinking Fund.....	1,140,643	\$ 100,645	1,241,288
Total Earned Surplus—Appropriated.....	\$ 3,194,298	\$ 100,645	\$ 3,294,943

EARNED SURPLUS—UNAPPROPRIATED:

Period prior to September 1, 1944:

Paid-in Surplus in accordance with Minnesota Law.....	\$11,364,138		\$11,364,138
Less appropriations.....	2,053,655		2,053,655
Balance.....	9,310,483		9,310,483

Period Subsequent to September 1, 1944:

Net Income.....	16,025,553	\$ 2,839,161	18,864,714
Less Dividends.....	7,550,592	1,078,656	8,629,248
Balance.....	8,474,961	1,760,505	10,235,466

Profit and Loss Accounts:

Discount and Expenses on Bonds Reacquired.....	2,482,922	66,951	2,549,873
Miscellaneous Credits.....	138,300	12,996	151,296
Less Miscellaneous Debits.....	1,352,665	301,404	1,654,069
Balance.....	1,268,557	221,457	1,047,100
Total Earned Surplus—Unappropriated.....	\$19,054,001	\$ 1,539,048	\$20,593,049

	1956	1955	1954	1953	1952
INCOME AFTER FIXED CHARGES:					
Times earned for:					
Interest on First Mortgage Bonds.....	13.4	11.8	9.0	5.1	7.1
Interest on General Mortgage Bonds.....	6.3	5.5	4.0	2.1	3.0
Sinking Fund—General Mortgage.....	29.2	25.0	16.8	6.0	11.3
UNAPPROPRIATED INCOME:					
Earned per share.....	\$3.95	\$3.35	\$2.21	\$.70	\$1.45

Figures in Bold Face Denote Contra.

INVESTMENTS IN AFFILIATED COMPANIES

	Number of Shares	Par Value	Book Value	
			Dec. 31, 1956	Dec. 31, 1955
STOCKS—Pledged under First Mortgage:				
Sault Ste. Marie Bridge Co.....	2,500	\$250,000	\$ 500	\$ 500
Minnesota Transfer Railway Co.....	913	91,300	91,300	91,300
The Saint Paul Union Depot Co.....	1,036	103,600	130,475	130,475
TOTAL.....			\$222,275	\$222,275

STOCKS—Pledged under General Mortgage:

Tri-State Land Co. (See Note 1)	25,000	\$2,500,000	\$900,000	\$900,000
---------------------------------------	--------	-------------	-----------	-----------

STOCKS—Unpledged:

Railway Express Agency, Inc.....	3	No Par	\$ 300	\$ 300
----------------------------------	---	--------	--------	--------

ADVANCES:

Minnesota Transfer Ry.—Sinking Fund.....			\$ 43,333	\$ 43,333
Minnesota Transfer Ry.—Locomotives.....			97,810	92,233
Minnesota Transfer Ry.—Construction.....			99,474	119,751
Minnesota Transfer Ry.—Land Fund.....			35,318	.....
Railway Express Agency, Inc.....			86,747	86,747
The St. Paul Union Depot Co.—Sinking Fund.....			96,066	63,527
The St. Paul Union Depot Co.—Construction.....			88,169	66,617
Sault Ste. Marie Bridge Co.—U. S. Funds.....			20,545	20,545
TOTAL.....			\$567,462	\$492,753

OTHER INVESTMENTS

	Par Value	BOOK VALUE	
		Dec. 31, 1956	Dec. 31, 1955
Claims allowed in Wisconsin Central Ry. Co. Reorganization (See Note 2).....	\$1,892,260	\$ 1	\$ 1
Dakota Chief Sales Co.—Sales Contract.....	11,309	11,309	12,309
St. Paul Terminal Warehouse Co.....	7,415	7,415	9,820
TOTAL.....		\$ 18,725	\$ 22,130

NOTE 1: The equity of the Company in the net worth (capital stock and surplus) of the Tri-State Land Company, a solely owned subsidiary, has been written down on the Soo Line books to the estimated value as determined by appraisal as of September 1, 1944. The amount of this equity is \$900,000 as shown under the column headed "Book Value." The result for the year 1956 was a net income of \$30,685, and the net worth of that company as reflected on its books at December 31, 1956, is \$1,723,642, without provision for impairment of asset values.

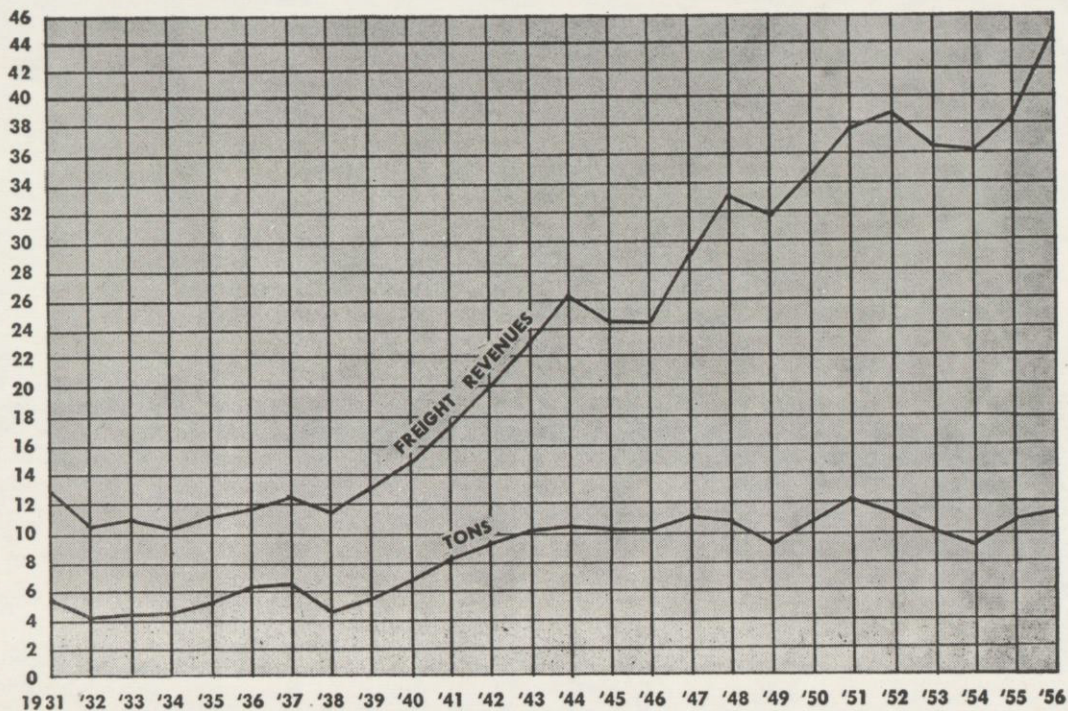
NOTE 2: See comments on page 16 for explanation of value of allowance for claim filed in Wisconsin Central Ry. Co. reorganization proceedings.

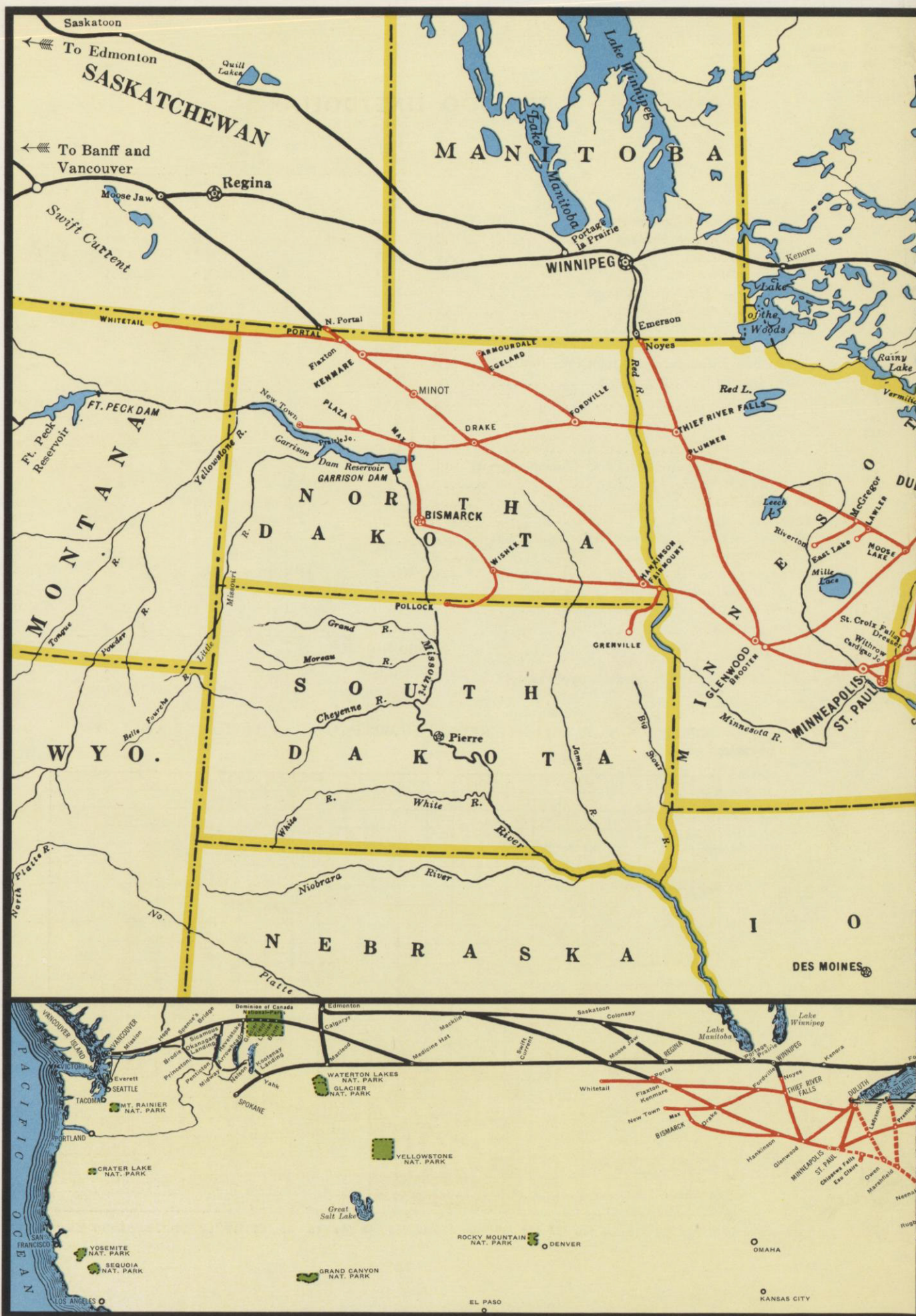
THE SOO LINE DOLLAR

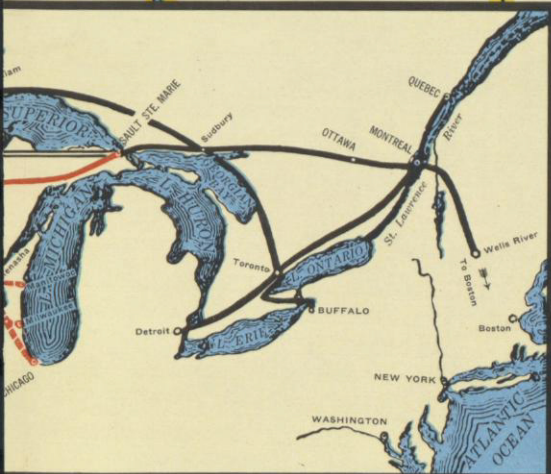
	1956	1955	1954 (Cents)	1953	1952
Income:					
Grain.....	27.3	25.5	24.6	19.1	24.1
Other Products of Agriculture.....	3.0	3.5	3.9	4.1	3.6
Animals and Animal Products.....	1.2	1.4	1.6	1.5	1.4
Products of Mines.....	10.2	11.0	9.7	12.8	13.4
Products of Forests.....	15.1	15.4	13.6	12.1	11.1
Manufactures and Miscellaneous.....	26.6	24.5	27.9	30.6	27.6
Less than Carload Freight.....	2.2	2.4	2.8	3.1	3.0
Passenger Train Service.....	4.6	5.3	6.0	6.2	6.3
Incidental.....	1.4	1.6	1.5	1.8	1.6
Rents from Equipment and Joint Facilities.....	7.9	8.9	8.0	8.3	7.5
Other Income.....	.5	.5	.4	.4	.4
Total.....	100.0	100.0	100.0	100.0	100.0
Spent For:					
Wages.....	44.2	45.1	48.8	50.9	50.5
Payroll Taxes (Retirement and Unemployment) and Welfare Benefits.....	3.5	2.9	2.9	2.9	2.8
All Other Taxes.....	6.6	8.0	4.2	3.4	5.1
Fuel.....	2.9	2.9	4.2	4.2	4.9
Rails, Ties, and Other Track Materials.....	4.2	4.0	4.3	4.2	4.4
Depreciation.....	3.8	4.4	4.2	4.0	3.8
Other Operating Expenses.....	16.1	15.4	16.7	18.0	15.9
Interest and Sinking Fund.....	1.8	2.0	2.2	2.2	2.1
Rents for Equipment and Joint Facilities.....	10.9	9.3	8.4	8.6	8.0
Miscellaneous.....	.6	.7	.4	.4	.2
Total.....	94.6	94.7	96.3	98.8	97.7
Available for Other Corporate Purposes.....	5.4	5.3	3.7	1.2	2.3

COMPARISON OF FREIGHT REVENUES WITH TONS OF FREIGHT HANDLED

MILLIONS







LEGEND

SOO LINE SYSTEM:

Minneapolis, St. Paul &
Sault Ste. Marie R. R.

Wisconsin Central R. R.

Canadian Pacific Ry.

Duluth, South Shore and
Atlantic R. R.

AMORTIZATION OF ROAD AND EQUIPMENT FOR TAX PURPOSES AND RESULTING DEFERMENT OF FEDERAL INCOME TAXES

	1950	1951	1952	1953	1954	1955	1956	TOTAL
Increases in amortization charges over normal depreciation accruals	\$ 69,132	\$285,915	\$555,576	\$695,855	\$668,542	\$386,600	\$834,902	\$3,496,522
Federal income tax rate.....	42%	50.75%	52%	52%	52%	52%	52%	
Federal income tax deferment	\$ 29,035	\$145,102	\$288,900	\$361,845	\$347,642	\$201,032	\$434,149	\$1,807,705

NET INCOME PER SHARE OF STOCK AFTER ELIMINATION OF DEFERMENT OF FEDERAL INCOME TAXES ON ACCOUNT OF AMORTIZATION CHARGES

	1950		1951		1952		1953		1954		1955		1956	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net Income	\$1,544,969	\$2.15	\$1,867,537	\$2.60	\$1,040,532	\$1.45	\$504,816	\$.70	\$1,592,354	\$2.21	\$2,411,496	\$3.35	\$2,839,161	\$3.95
Adjustment for deferment of Federal Income Taxes on account of amortization	29,035	.04	145,102	.20	288,900	.40	361,845	.50	347,642	.48	201,032	.28	434,149	.60
Adjusted Net Income	\$1,515,934	\$2.11	\$1,722,435	\$2.40	\$751,632	\$1.05	\$142,971	\$.20	\$1,244,712	\$1.73	\$2,210,464	\$3.07	\$2,405,012	\$3.35

PHYSICAL PROPERTY CHANGES, ADDITIONS AND BETTERMENTS

The program of improvements to physical property was continued during 1956 consistent with the company's financial position. A brief summary of the projects undertaken in 1956 follows:

Road and General Expenditures:

Bridge Renewals and Filling.....	\$ 297,970
Additions and Improvements to Station and Office Buildings.....	143,913
Additions and Improvements to Shops and Engine Houses, including Tools and Machinery.....	231,366
Purchase of Miscellaneous Roadway Machines.....	125,355
Additional Company Side and Yard Tracks.....	110,081
Additional Industry Side and Yard Tracks.....	48,020
Relaying Rail in Main Tracks:	
New 100#, replacing 85# and 90#—27.03 Miles.....	128,725
New 90#, replacing 85# — 6.04 Miles.....	20,247
With Relay Rail —13.09 Miles.....	33,985
Relaying Rail in Side and Yard Tracks with Relay Rail—8.30 Miles.....	20,130
Additional Tie Plates and Rail Anchors.....	170,845
Widen and Flatten Cuts.....	142,481
Line Changes:	
Realignment of Main Line—North Minneapolis.....	28,778
Coordination with Great Northern Ry.—Nashua, Minn., to Hankinson, N. D., and Schley to Bemidji, Minn.....	29,670
Ballast Projects (additional ballast).....	59,421
Additions and Improvements to Interlockers and Signals.....	61,017
Additions and Improvements to Power Transmission Systems.....	11,944
Additions and Improvements to Roadway Buildings.....	32,037
Expenditures in connection with Public Improvements.....	59,929
Miscellaneous Expenditures.....	30,468
Total.....	\$1,786,382

Equipment:

Purchase of 1 Diesel-electric 1750 H.P. Road-Switch Freight Locomotive.....	\$ 166,536
Purchase of 2 Diesel-electric 1750 H.P. Road-Switch Freight or Passenger Locomotives.....	359,379
Purchase of 1 spare truck for 1750 H.P. Diesel-electric Road Switch Locomotive.....	25,310
Purchase of 1 spare traction motor for Diesel-electric Road Switch Locomotive.....	6,223
Purchase of 1 S.H. steam generator for use as a spare for Diesel-electric Locomotives.....	3,130
Construction of 297—40'6"—50-Ton Steel Box Cars.....	2,010,372
Construction of 22—70-Ton covered Hopper Cars.....	167,541
Conversion of Stock Car to Coke Car.....	2,103
Equip 5 Box Cars with "DF" (damage-free) lading devices.....	14,068
Remodel interior of Sleeping Cars "Fort Grant" and "Fort Gibbon".....	25,298
Conversion of 1 Combination Passenger and Baggage Car to full Baggage Car.....	4,571
Purchase of 1 Whiting Trackmobile.....	15,100
Addition of 14 Other Units of Work Equipment (12 Conversions and 2 Constructions from Foreign and Damaged Cars).....	24,322
Install air conditioning equipment in Business Car No. 54.....	3,022
Purchase 13 Automobiles and Trucks.....	38,008
Unapplied Material and Supplies for future construction.....	1,160,810
Miscellaneous Expenditures.....	14,644
Total.....	\$4,040,437

TRACK MILES OF RAIL LAID

Installed in Main Track:	1956	1955	1954	1953	1952
New 100 Pound	27.03	14.55	19.75	18.40	.....
New 90 Pound	6.04	7.67	5.10	19.48	38.43
Second Hand 90 Pound	13.09	11.75	7.86	10.54	1.26
Second Hand 85 Pound .....	.....	.....	7.17	.....	5.24
Second Hand 80 Pound .....	.....	2.39	4.30	.59	.63
Total—Installed in Main Track	46.16	36.36	44.18	49.01	45.56
Installed in Other Tracks:					
Second Hand, Various Weights	8.30	4.71	2.46	2.75	5.14

CROSS TIES REPLACED

	1956	1955	1954	1953	1952
Untreated Cross Ties.....	78	168	401	2,859	6,279
Treated Cross Ties.....	365,005	354,131	368,651	407,084	392,292
Total.....	365,083	354,299	369,052	409,943	398,571

MATURITIES BY YEARS OF LONG-TERM DEBT OUTSTANDING AT DECEMBER 31, 1956

Year of Maturity	Equipment Obligations					First	General	Total
	Conditional Sale Agreements	Equipment	Equipment	Equipment	Mortgage	Mortgage		
		Trust	Trust	Trust	Income 4½%	Income 4%		
		Series A, Dated July 1, 1952	Series B, Dated Aug. 1, 1954	Series C, Dated Nov. 1, 1956	Bonds Series A, Due Jan. 1, 1971	Bonds Series A, Due Jan. 1, 1991		
1957.....	\$ 674,738	\$ 190,000	\$ 130,000	\$ 176,000	.....	.....	\$ 1,170,738
1958.....	638,713	190,000	130,000	176,000	.....	.....	1,134,713
1959.....	449,677	190,000	130,000	176,000	.....	.....	945,677
1960.....	381,926	190,000	130,000	176,000	.....	.....	877,926
1961.....	381,925	190,000	130,000	176,000	.....	.....	877,925
1962.....	381,926	190,000	130,000	176,000	.....	.....	877,926
1963.....	381,925	190,000	130,000	176,000	.....	.....	877,925
1964.....	364,694	190,000	130,000	176,000	.....	.....	860,694
1965.....	313,000	190,000	130,000	176,000	.....	.....	809,000
1966.....	313,000	190,000	130,000	176,000	.....	.....	809,000
1967.....	313,000	190,000	130,000	176,000	.....	.....	809,000
1968.....	313,000	.....	130,000	176,000	.....	.....	619,000
1969.....	313,000	.....	130,000	176,000	.....	.....	619,000
1970.....	.....	.....	.....	176,000	.....	.....	176,000
1971.....	.....	.....	.....	176,000	\$ 6,244,000	.....	6,420,000
1991.....	.....	.....	.....	.....	.....	\$13,803,800	13,803,800
Totals.....	\$ 5,220,524	\$ 2,090,000	\$ 1,690,000	\$ 2,640,000	\$ 6,244,000	\$13,803,800	\$31,688,324	

LOCOMOTIVES AND FREIGHT TRAIN CARS ADDED AND RETIRED

Year	Diesel-electric Locomotives		Steam Locomotives		Freight-Train Cars	
	Added	Retired	Added	Retired	Added	Retired
1932.....	.....	.....	.....	27	.....	294
1933.....	.....	.....	.....	38	.....	1,889
1934.....	.....	.....	.....	6	.....	1,689
1935.....	.....	.....	.....	9	.....	292
1936.....	.....	.....	.....	3	500	530
1937.....	.....	.....	.....	1	200	956
1938.....	.....	.....	.....	7	.....	153
1939.....	3	.....	.....	4	.....	386
1940.....	.....	.....	.....	10	755	289
1941.....	1	.....	8	3	302	117
1942.....	.....	.....	4	3	100	169
1943.....	.....	.....	.....	6	.....	156
1944.....	.....	.....	.....	1	.....	173
1945.....	1	.....	.....	.....	.....	171
1946.....	.....	.....	.....	3	.....	208
1947.....	7	.....	.....	4	.....	464
1948.....	11	.....	.....	16	.....	436
1949.....	8	.....	.....	11	350	229
1950.....	7	.....	.....	9	395	499
1951.....	7	.....	.....	18	374	571
1952.....	10	1	.....	7	107	303
1953.....	.....	.....	.....	17	318	335
1954.....	22	.....	.....	37	363	198
1955.....	12	.....	.....	25	41	488
1956.....	3	.....	.....	10	319	236

See page 36 for list of equipment owned at end of year.

DETAILS OF INCOME ACCOUNT

OPERATING REVENUES

FREIGHT:	1956	1955	1954	1953	1952
Products of Agriculture:					
Grain.....	\$14,298,151	\$11,694,186	\$10,542,104	\$ 8,312,785	\$11,040,012
Flour.....	100,410	94,695	65,957	73,135	80,226
Potatoes.....	214,471	334,938	321,131	305,481	240,406
All Other.....	1,244,950	1,191,912	1,291,534	1,396,774	1,318,787
Total.....	15,857,982	13,315,731	12,220,726	10,088,175	12,679,431
Animals and Animal Products:					
Cattle and Calves.....	159,359	162,808	173,702	155,713	162,998
Hogs.....	19,190	19,626	20,257	20,624	25,889
Butter.....	115,961	125,160	111,675	134,476	115,912
All Other.....	318,959	340,574	354,797	355,472	333,828
Total.....	613,469	648,168	660,431	666,285	638,627
Products of Mines:					
Bituminous Coal.....	704,188	644,847	693,953	711,158	859,532
Lignite Coal.....	470,246	571,573	660,056	644,231	725,535
Iron Ore.....	1,501,964	1,864,370	1,098,446	1,882,231	1,713,697
Stone and Rock.....	616,050	690,029	333,942	311,392	924,524
Gravel and Sand.....	107,522	131,076	474,813	1,079,333	935,537
All Other.....	1,968,499	1,161,687	897,420	939,446	1,008,368
Total.....	5,368,469	5,063,582	4,158,630	5,567,791	6,167,193
Products of Forests:					
Posts, Poles, and Piling, Wooden.....	485,454	423,459	351,594	348,667	273,324
Logs, Butts and Bolts.....	366,202	355,500	263,557	351,849	272,232
Pulpwood.....	1,231,633	865,877	1,116,888	1,087,140	1,675,382
Lumber, Shingles and Lath.....	5,353,603	5,143,235	3,806,634	3,161,177	2,558,666
All Other.....	454,856	282,258	282,602	305,311	283,384
Total.....	7,891,748	7,070,329	5,821,275	5,254,144	5,062,988
Manufactures and Miscellaneous:					
Gasoline and Petroleum Products.....	991,368	878,379	1,072,663	1,152,076	1,143,156
Fuel and Road Oils, etc.....	399,628	429,205	485,781	596,838	555,955
Manufactured Iron and Steel.....	889,140	757,611	861,357	704,761	617,251
Cement, Building.....	582,651	615,459	727,254	999,811	967,189
Agricultural Implements and Parts.....	466,511	350,235	463,386	767,608	774,027
Iron and Steel Pipe.....	1,758,577	448,075	1,048,982	858,450	308,768
Newsprint Paper.....	1,285,857	1,174,277	1,124,620	1,127,462	1,167,386
Woodpulp.....	1,024,247	871,799	845,410	821,269	840,573
All Other.....	6,516,778	5,741,708	5,326,882	6,269,166	6,264,203
Total.....	13,914,757	11,266,748	11,956,335	13,297,441	12,638,508
Less-than-carload Freight.....	1,164,204	1,110,440	1,178,855	1,348,492	1,361,057
Total Freight.....	44,810,629	38,474,998	35,996,252	36,222,328	38,547,804
PASSENGER.....	883,025	927,296	978,930	1,060,360	1,105,735
MAIL.....	1,104,816	1,058,140	1,188,448	1,168,797	1,204,538
EXPRESS.....	256,094	226,269	264,442	323,007	372,358
MILK.....	69,174	86,028	102,589	112,458	126,840
OTHER PASSENGER-TRAIN SERVICE.....	112,844	111,554	34,316	56,691	67,324
SWITCHING.....	151,153	139,435	128,127	116,178	118,754
DEMURRAGE.....	128,715	102,754	81,100	65,479	71,073
TELEGRAPH AND TELEPHONE.....	39,425	39,033	46,572	54,337	41,944
ORE DOCK CHARGES.....	100,965	123,306	75,296	170,324	158,373
JOINT FACILITY—NET.....	159,745	148,525	116,241	169,096	153,431
ALL OTHER.....	174,428	178,441	177,298	187,885	202,051
Total Operating Revenues.....	\$47,991,013	\$41,615,779	\$39,189,611	\$39,706,940	\$42,170,225

DETAILS OF INCOME ACCOUNT—Continued

OPERATING EXPENSES

	1956	1955	1954	1953	1952
Maintenance of Way and Structures:					
Superintendence.....	\$ 496,372	\$ 460,525	\$ 453,728	\$ 427,252	\$ 432,752
Roadway Maintenance.....	962,968	925,357	939,158	1,090,562	1,152,758
Tunnels and Subways.....	540	145	178	220	500
Bridges, Trestles and Culverts.....	242,215	226,979	244,219	213,676	246,003
Ties.....	1,214,464	1,197,318	1,267,254	1,410,621	1,419,888
Rails.....	449,318	267,141	274,460	188,283	292,651
Other Track Material.....	541,039	351,608	305,740	248,552	320,549
Ballast.....	252,317	181,141	188,961	331,957	296,906
Track Laying and Surfacing (Labor).....	2,582,531	2,203,293	2,205,142	2,539,047	2,599,275
Total.....	6,245,392	5,352,982	5,425,112	6,022,918	6,328,530
Fences, Snowsheds and Signs.....	105,376	75,250	97,328	126,846	94,631
Station and Office Buildings.....	227,286	246,448	258,294	279,047	228,962
Roadway Buildings.....	10,480	7,157	7,988	11,373	5,657
Water Stations.....	15,071	12,069	36,315	38,323	43,575
Fuel Stations.....	2,743	3,343	12,614	17,226	22,801
Shops and Enginehouses.....	237,457	156,560	133,891	142,218	154,167
Wharves and Docks.....	5,144	.....	.....	.....	.....
Communication Systems.....	160,622	161,443	145,211	142,382	157,940
Signals and Interlockers.....	51,550	50,852	51,685	44,971	43,704
Power Plants.....	6,243	17,016	7,071	2,329	1,269
Power Transmission Systems.....	2,846	191	2,094	743	227
Miscellaneous Structures.....	19	.....	37	.....	57
Total.....	824,837	730,329	752,528	805,458	752,990
Roadway Machines.....	259,897	194,589	234,134	211,354	214,921
Dismantling Retired Road Property.....	51,718	37,608	25,350	28,802	35,858
Small Tools and Supplies.....	121,969	106,077	122,691	107,393	99,828
Removing Snow, Ice, and Sand.....	324,688	277,635	187,572	234,260	326,250
Public Improvements—Maintenance.....	89,180	83,029	82,466	55,381	176,844
Injuries to Persons.....	59,185	63,680	69,429	87,183	68,828
Insurance.....	33,718	30,230	34,351	20,957	19,904
Stationery and Printing.....	9,498	8,541	7,220	8,467	9,875
Other Expenses.....	173,903	84,287	20,897	62,535	102,375
Maintaining Jt. Trks., Yds. and Other Fac.—Dr.....	267,549	254,312	250,955	320,284	231,751
Maintaining Jt. Trks., Yds. and Other Fac.—Cr.....	22,451	25,660	27,345	26,779	24,037
Right-of-Way Expenses.....	6,585	4,716	5,070	5,525	3,519
Total.....	1,375,439	1,119,044	1,012,790	1,115,362	1,265,916
Total Maint. of Way and Struct. Excluding Depreciation and Retirement Charges.....	8,942,040	7,662,880	7,644,158	8,370,990	8,780,188
Depreciation and Retirement Charges:					
Road Property—Depreciation.....	510,703	535,044	570,948	559,178	534,744
Retirements—Road.....	209,445	114,795	119,106	57,525	123,259
Total.....	720,148	649,839	690,054	616,703	658,003
Total Maint. of Way and Struct. Including Depreciation and Retirement Charges.....	\$9,662,188	\$8,312,719	\$8,334,212	\$8,987,693	\$9,438,191
Per cent to Total Operating Revenues.....	20.13	19.97	21.27	22.63	22.38

Figures in Bold Face Denote Contra.

DETAILS OF INCOME ACCOUNT—Continued

	1956	1955	1954	1953	1952
Maintenance of Equipment:					
Superintendence.....	\$ 170,297	\$ 157,950	\$ 151,064	\$ 152,610	\$ 150,246
Shop Machinery.....	121,363	96,486	108,465	123,361	117,819
Power Plant Machinery.....	43,391	34,457	29,957	26,530	26,180
Steam Locomotives—Repairs.....	15,360	49,544	753,564	1,329,823	1,586,118
Other Locomotives—Repairs.....	1,996,142	1,725,369	1,311,794	1,199,093	1,060,509
Freight-Train Cars—Repairs.....	3,178,282	3,253,714	3,009,690	3,310,467	3,072,625
Passenger-Train Cars—Repairs.....	692,167	604,196	582,032	582,822	602,240
Work Equipment—Repairs.....	100,256	82,811	63,406	81,344	94,853
Miscellaneous Equipment—Repairs.....	37,326	31,973	28,881	22,612	19,496
Total.....	6,184,287	5,779,462	5,887,789	6,676,052	6,579,840
Dismantling Retired Shop & P. P. Machinery.....	3,922	556	249	352	398
Dismantling Retired Equipment.....	5,325	7,109	1,016	2,610	1,957
Retirements—Equipment.....	9,089	3,778	3,793	4,941	43,084
Injuries to Persons.....	13,364	28,244	24,207	66,439	32,887
Insurance.....	94,346	91,452	71,397	54,486	54,131
Stationery and Printing.....	4,041	5,259	3,933	3,897	4,697
Other Expenses.....	128,107	43,806	192,158	22,115	15,026
Joint Maint. of Equip. Expenses—Dr.....	60,817	47,119	40,420	50,198	44,036
Joint Maint. of Equip. Expenses—Cr.....	4,572	4,002	5,632	4,522	3,794
Total.....	296,261	215,765	323,955	190,634	106,254
Total Maintenance of Equipment Excluding Depreciation Charges.....	6,650,845	6,153,177	6,362,808	7,019,296	6,836,340
Depreciation Charges:					
Shop and Power Plant Machinery.....	23,246	22,911	20,461	19,418	18,616
Equipment.....	1,436,837	1,444,353	1,198,129	1,172,813	1,167,370
Total.....	1,460,083	1,467,264	1,218,590	1,192,231	1,185,986
Total Maintenance of Equipment Including Depreciation.....	\$8,110,928	\$7,620,441	\$7,581,398	\$8,211,527	\$8,022,326
Per cent to Total Operating Revenues.....	16.91	18.31	19.34	20.68	19.02
Traffic:					
Superintendence.....	\$ 362,768	\$ 316,999	\$ 297,105	\$289,736	\$271,769
Outside Agencies.....	580,989	533,834	518,421	489,736	475,808
Advertising.....	66,675	54,418	55,485	71,040	74,602
Traffic Associations.....	29,288	27,895	24,346	21,350	19,825
Industrial and Immigration Bureaus.....	11,389	9,229	9,684	11,507	9,323
Insurance.....	307	350	352	431	337
Stationery and Printing.....	62,869	58,092	53,258	52,411	54,488
Other Expenses.....	13,988	7,612	.....	.....	.....
Total Traffic.....	\$1,128,273	\$1,008,429	\$ 958,651	\$936,211	\$906,152
Per cent to Total Operating Revenues.....	2.35	2.43	2.45	2.36	2.15

Figures in Bold Face Denote Contra.

DETAILS OF INCOME ACCOUNT—Continued

	1956	1955	1954	1953	1952
Transportation:					
Superintendence	\$ 466,791	\$ 420,988	\$ 416,529	\$ 401,940	\$ 389,285
Dispatching Trains	233,405	214,295	223,927	218,403	219,669
Total	700,196	635,283	640,456	620,343	608,954
Station Employees	2,651,411	2,415,899	2,432,318	2,487,516	2,518,591
Weighing Insp. and Dem. Bureaus	34,405	33,533	34,519	32,079	31,808
Station Supplies and Expenses	228,877	197,793	194,213	178,729	179,953
Total	2,914,693	2,647,225	2,661,050	2,698,324	2,730,352
Yard Masters and Yard Clerks	422,329	359,510	355,276	356,291	358,127
Yard Conductors and Brakemen	1,072,454	823,329	766,022	759,971	840,818
Yard Switch and Signal Tenders	30,612	26,915	27,652	26,884	33,208
Yard Enginemen	690,122	552,658	515,876	522,937	549,419
Yard Switching Fuel	116,653	99,888	181,379	186,505	230,384
Water for Yard Locomotives	2,682	6,127	10,612	10,053	13,347
Lubricants for Yard Locomotives	12,350	11,031	7,791	7,954	8,760
Other Supplies for Yard Locomotives	11,338	8,277	3,940	4,382	4,417
Enginehouse Expenses—Yard	149,678	124,141	125,657	121,956	145,662
Yard Supplies and Expenses	17,130	14,906	13,706	13,212	12,613
Opr. Joint Yards and Terminals—Dr.	978,583	828,707	796,450	1,017,120	890,197
Opr. Joint Yards and Terminals—Cr.	48,454	51,824	51,581	57,182	48,834
Total	3,455,477	2,803,665	2,752,780	2,970,083	3,038,118
Train Enginemen	1,982,280	1,799,000	1,797,133	1,856,446	1,931,193
Train Fuel	1,426,682	1,240,391	1,620,883	1,640,369	2,003,329
Water for Train Locomotives	25,141	32,022	51,612	53,252	67,347
Lubricants for Train Locomotives	90,104	68,439	83,297	85,605	87,263
Other Supplies for Train Locomotives	27,645	27,325	42,270	47,185	44,057
Enginehouse Expenses—Train	461,783	430,104	528,368	536,894	579,060
Trainmen	2,921,576	2,618,791	2,542,307	2,616,669	2,708,153
Train Supplies and Expenses	1,356,837	1,027,829	1,029,899	1,110,158	1,051,238
Operating Sleeping Cars	182,090	205,960	218,033	148,070	132,116
Total	8,474,138	7,449,861	7,913,802	8,094,648	8,603,756
Signal and Interlocker Operation	116,059	105,056	106,867	107,417	108,038
Crossing Protection	28,611	35,222	45,845	56,051	60,785
Drawbridge Operation .....	.....	62	50	.....	187
Communication System Operation	94,866	86,300	85,907	85,377	84,736
Stationery and Printing	61,488	51,830	53,077	48,343	55,230
Other Expenses	99,869	51,957	65,459	121,447	124,398
Operating Jt. Trks. and Facilities—Dr.	174,059	139,994	149,932	146,042	153,311
Operating Jt. Trks. and Facilities—Cr.	27,583	26,109	26,365	24,192	30,065
Insurance	30,466	27,289	26,003	15,398	6,263
Clearing Wrecks	124,838	37,529	48,143	75,744	115,718
Damage to Property	17,380	7,072	12,116	17,585	4,221
Damage to Live Stock on R. of W.	9,051	7,943	12,888	7,239	18,622
Loss and Damage—Freight	256,825	190,134	205,840	199,527	331,835
Loss and Damage—Baggage	118	248	138	106	238
Injuries to Persons	220,562	216,347	239,073	436,052	513,908
Total	1,206,609	930,874	1,024,973	1,292,136	1,547,425
Total Transportation	\$16,751,113	\$14,466,908	\$14,993,061	\$15,675,534	\$16,528,605
Per cent to Total Operating Revenues	34.90	34.76	38.26	39.48	39.19
Miscellaneous Operations:					
Dining and Buffet Service	\$ 209,240	\$ 214,534	\$ 222,603	\$ 236,357	\$ 216,563
Operating Jt. Misl. Facilities—Dr.	16,458	18,353	17,379	18,526	20,804
Total Miscellaneous Operations	\$ 225,698	\$ 232,887	\$ 239,982	\$ 254,883	\$ 237,367
Per cent to Total Operating Revenues .....	.47	.56	.61	.64	.56

Figures in Bold Face Denote Contra.

DETAILS OF INCOME ACCOUNT—Continued

	1956	1955	1954	1953	1952
General:					
Sal. and Exp. of General Officers	\$ 226,705	\$ 185,528	\$ 169,154	\$ 170,932	\$ 161,891
Sal. and Exp. of Clerks and Attendants.....	951,873	841,066	824,300	831,867	797,302
General Office Supplies and Expenses.....	91,565	77,215	67,182	63,891	57,901
Law Expenses.....	141,527	142,564	118,614	128,461	104,539
Insurance.....	815	610	657	552	621
Pensions and Gratuities.....	145,057	45,909	38,665	34,401	37,272
Stationery and Printing.....	43,521	46,491	51,901	42,700	43,117
Other Expenses.....	123,978	91,134	63,580	65,360	55,886
General Joint Facilities—Dr.....	13,340	11,918	18,175	12,479	10,870
General Joint Facilities—Cr.....	4,057	4,258	4,209	4,266	3,611
Total General.....	\$ 1,734,324	\$ 1,438,177	\$ 1,348,019	\$ 1,346,377	\$ 1,265,788
Per cent to Total Operating Revenues.....	3.61	3.46	3.44	3.39	3.01
Total Railway Operating Expenses.....	\$37,612,524	\$33,079,561	\$33,455,323	\$35,412,225	\$36,398,429
Per cent to Total Operating Revenues.....	78.37	79.49	85.37	89.18	86.31
NET REVENUE FROM RAILWAY OPERATIONS	\$10,378,489	\$ 8,536,218	\$ 5,734,288	\$ 4,294,715	\$ 5,771,796

RAILWAY TAX ACCRUALS

Payroll Taxes:					
Railroad Retirement	\$ 1,207,807	\$ 1,122,461	\$ 1,133,803	\$1,156,376	\$1,186,005
Railroad Unemployment.....	295,215	89,841	90,481	92,289	95,371
Total Payroll Taxes.....	1,503,022	1,212,302	1,224,284	1,248,665	1,281,376
Other Taxes:					
Federal Income:					
Current Year.....	1,670,000	2,061,000	300,000	.....	675,000
Adjustment of Prior Years.....	.....	.....	.....	44,789	39,543
State, Local and Other.....	1,815,185	1,616,425	1,494,926	1,518,662	1,603,349
Total Other Taxes.....	3,485,185	3,677,425	1,794,926	1,473,873	2,317,892
Total Railway Tax Accruals.....	\$ 4,988,207	\$ 4,889,727	\$ 3,019,210	\$2,722,538	\$3,599,268
RAILWAY OPERATING INCOME.....	\$ 5,390,282	\$ 3,646,491	\$ 2,715,078	\$1,572,177	\$2,172,528

EQUIPMENT RENTS — NET

Freight Cars.....	\$ 1,212,325	\$ 115,428	\$ 14,855	\$ 155,858	\$ 22,839
Passenger Cars.....	95,096	71,555	38,009	64,367	44,597
Locomotives.....	21,103	25,516	36,064	27,417	27,679
Work Equipment.....	1,254	3,042	8,195	7,045	1,258
Total Equipment Rents—Net.....	\$ 1,287,572	\$ 66,347	\$ 21,105	\$ 125,953	\$ 38,499

JOINT FACILITY RENTS

Rents Payable.....	\$ 583,857	\$ 552,281	\$ 497,692	\$ 555,774	\$ 493,163
Rents Receivable.....	294,548	301,276	275,932	290,840	269,185
Total Joint Facility Rents—Net.....	\$ 289,309	\$ 251,005	\$ 221,760	\$ 264,934	\$ 223,978
TOTAL WORKING EXPENSES.....	\$44,177,612	\$38,153,946	\$36,675,188	\$38,273,744	\$40,260,174
Per cent to Total Operating Revenues.....	92.05	91.68	93.58	96.39	95.47
NET RAILWAY OPERATING INCOME.....	\$ 3,813,401	\$ 3,461,833	\$ 2,514,423	\$1,433,196	\$1,910,051

Figures in Bold Face Denote Contra.

DETAILS OF INCOME ACCOUNT—Concluded

OTHER INCOME

	1956	1955	1954	1953	1952
Miscellaneous Rent Income	\$ 90,315	\$ 87,618	\$ 93,801	\$ 87,392	\$ 80,135
Income from Non-Operating Property	5,658	6,928	8,123	11,219	10,264
Dividend Income	4,144	4,144	4,277	4,144	4,144
Interest Income	172,605	106,409	63,951	59,312	70,862
Miscellaneous Income	11,945	14,125	11,565	22,468	30,514
Total Other Income	\$ 284,667	\$ 219,224	\$ 181,717	\$ 184,535	\$ 195,919
TOTAL INCOME	\$4,098,068	\$3,681,057	\$2,696,140	\$1,617,731	\$2,105,970

MISCELLANEOUS DEDUCTIONS FROM INCOME

Miscellaneous Rents	\$ 4,616	\$ 3,342	\$ 3,321	\$ 2,891	\$ 1,103
Miscellaneous Tax Accruals	2,234	2,360	2,208	2,268	2,167
Miscellaneous Income Charges	14,520	27,183	11,987	29,172	10,508
Total Miscellaneous Deductions from Income	\$ 21,370	\$ 32,885	\$ 17,516	\$ 34,331	\$ 13,778

INCOME AVAILABLE FOR FIXED AND

CONTINGENT CHARGES	\$4,076,698	\$3,648,172	\$2,678,624	\$1,583,400	\$2,092,192
---------------------------------	--------------------	--------------------	--------------------	--------------------	--------------------

FIXED CHARGES

Rent for Leased Road and Equipment	\$ 1,685	\$ 1,685	\$ 1,685	\$ 1,685	\$ 1,685
Interest on Equipment Obligations	292,672	290,359	128,743	113,304	78,815
Interest on Unfunded Debt	965	375	391	525	3,063
Amortization of Discount on Funded Debt	7,260	7,111	6,545	6,084	4,071
Total Fixed Charges	\$ 302,582	\$ 299,530	\$ 137,364	\$ 121,598	\$ 87,634

INCOME AVAILABLE FOR CONTINGENT CHARGES	\$3,774,116	\$3,348,642	\$2,541,260	\$1,461,802	\$2,004,558
--	--------------------	--------------------	--------------------	--------------------	--------------------

CONTINGENT CHARGES

Interest on First Mortgage Bonds	\$ 282,158	\$ 283,909	\$ 283,909	\$ 283,909	\$ 283,909
Interest on General Mortgage Bonds	552,152	552,592	564,352	572,432	579,472
Sinking Fund—General Mortgage	100,645	100,645	100,645	100,645	100,645
Total Contingent Charges	\$ 934,955	\$ 937,146	\$ 948,906	\$ 956,986	\$ 964,026

NET INCOME	\$2,839,161	\$2,411,496	\$1,592,354	\$ 504,816	\$1,040,532
-------------------------	--------------------	--------------------	--------------------	-------------------	--------------------

OPERATING STATISTICS

	1956	1955	1954	1953	1952
AVERAGE MILES OF ROAD OPERATED.....	3,223.98	3,224.14	3,222.40	3,222.75	3,223.45

TRAIN MILES (REVENUE SERVICE)

Freight Service:

Steam.....	20,225	13,197	415,530	503,019	943,861
Diesel.....	3,059,623	2,931,104	2,450,792	2,396,201	2,089,367
Total.....	3,079,848	2,944,301	2,866,322	2,899,220	3,033,228

Passenger Service:

Steam.....	234	10,605	546,252	767,247	1,081,918
Diesel.....	1,447,425	1,447,513	982,053	1,038,059	757,449
Total.....	1,447,659	1,458,118	1,528,305	1,805,306	1,839,367

TOTAL TRAIN MILES.....	4,527,507	4,402,419	4,394,627	4,704,526	4,872,595
------------------------	-----------	-----------	-----------	-----------	-----------

LOCOMOTIVE MILES (REVENUE SERVICE)

Freight Service:

Steam.....	20,225	14,070	453,972	545,572	989,915
Diesel.....	3,097,409	2,965,324	2,469,489	2,407,200	2,101,111
Total.....	3,117,634	2,979,394	2,923,461	2,952,772	3,091,026

Passenger Service:

Steam.....	234	10,701	562,497	779,265	1,100,683
Diesel.....	1,468,257	1,472,909	993,399	1,049,520	762,856
Total.....	1,468,491	1,483,610	1,555,896	1,828,785	1,863,539

Switching Service—Road and Yard

Steam.....	10,848	7,056	298,686	346,910	484,620
Diesel.....	1,151,329	922,002	550,428	538,594	539,143
Total.....	1,162,177	929,058	849,114	885,504	1,023,763

TOTAL LOCOMOTIVE MILES.....	5,748,302	5,392,062	5,328,471	5,667,061	5,978,328
-----------------------------	-----------	-----------	-----------	-----------	-----------

CAR MILES (REVENUE SERVICE)

Freight:

Loaded.....	96,991,367	89,056,286	81,612,186	81,449,970	86,275,733
Empty.....	55,228,044	45,978,770	42,944,720	43,867,610	47,156,562
Caboose.....	2,546,238	2,550,563	2,167,957	2,262,127	2,403,186
Total.....	154,765,649	137,585,619	126,724,863	127,579,707	135,835,481

Passenger:

Coaches.....	1,642,456	1,657,234	1,734,643	1,961,357	2,043,094
Sleeping and Parlor.....	2,268,774	2,204,871	2,572,960	2,650,223	2,705,471
Other.....	5,097,754	5,197,307	5,655,820	6,206,603	6,157,289
Total.....	9,008,984	9,059,412	9,963,423	10,818,183	10,905,854

TOTAL CAR MILES.....	163,774,633	146,645,031	136,688,286	138,397,890	146,741,335
----------------------	-------------	-------------	-------------	-------------	-------------

GROSS TON MILES

Freight Service—Cars and Contents.....	6,974,432,205	6,255,836,910	5,558,333,962	5,558,231,828	6,059,950,394
Passenger Service—Cars Only.....	532,199,348	532,591,708	580,257,396	641,920,884	645,388,748

TOTAL GROSS TON MILES.....	7,506,631,553	6,788,428,618	6,138,591,358	6,200,152,712	6,705,339,142
----------------------------	---------------	---------------	---------------	---------------	---------------

OPERATING STATISTICS—Continued

	1956	1955	1954	1953	1952
CONSUMPTION OF FUEL:					
Coal in Tons:					
Freight.....	1,846	1,118	43,958	47,204	89,809
Passenger.....	24	506	21,775	30,445	46,343
Yard Switching.....	105	346	14,186	17,868	24,783
Total.....	1,975	1,970	79,919	95,517	160,935
Average Cost per Ton.....	\$9.2152	\$6.6226	\$7.2077	\$6.6786	\$6.6913
Diesel Fuel in Gallons:					
Freight.....	10,973,496	9,763,355	8,224,878	8,129,736	7,513,648
Passenger.....	2,708,205	2,598,783	2,207,496	2,162,713	1,811,440
Yard Switching.....	1,061,457	941,134	635,022	568,600	491,958
Total.....	14,743,158	13,303,272	11,067,396	10,861,049	9,817,046
Average Cost per Gallon.....	\$.1051	\$.1016	\$.1063	\$.1059	\$.1062
Cost per 1,000 Gross Ton Miles:					
Steam Fuel;					
Road Freight.....	\$.8410	\$.7800*	\$.6080	\$.5961	\$.4742
Road Passenger.....	1.1511	7.1362*	2.0996	1.4832	1.3891
Diesel Fuel;					
Road Freight.....	\$.1618	\$.1544	\$.1735	\$.1713	\$.1721
Road Passenger.....	.5175	.4793	.4464	.4600	.4705
Cost per Switch Engine Hour:					
Steam Fuel.....	\$2.5319	\$3.6075*	\$3.0288	\$2.8722	\$2.8358
Diesel Fuel.....	.8914	.8760	.9882	.8921	.8401
FREIGHT TRAFFIC:					
Freight Revenue.....	\$44,810,629	\$38,474,998	\$ 35,996,252	\$ 36,222,328	\$ 38,547,804
Number of Carloads.....	297,077	286,875	255,825	277,320	295,131
Tons—Revenue Freight.....	11,273,589	10,852,263	9,302,170	10,317,906	11,460,095
Ton Miles—Revenue Freight.....	3,212,886,906	2,918,609,667	2,549,629,233	2,507,910,065	2,795,833,865
Train Load:					
Gross Tons per Train—Steam.....	1,097	832	1,386	1,127	1,496
Diesel.....	2,272	2,131	2,033	2,083	2,224
Average.....	2,265	2,125	1,939	1,917	1,998
Net Tons per Carload.....	33.1	32.8	31.2	30.8	32.4
Train Fuel Consumption per 1,000 Gross Ton Miles:					
Pounds of Coal—Steam.....	166	211	153	166	127
Gallons of Fuel Oil—Diesel.....	1.6	1.6	1.6	1.6	1.6
Train Speed:					
Steam.....	13.9	14.3	15.9	15.6	16.2
Diesel.....	20.5	21.0	21.1	20.7	20.2
Average.....	20.4	20.9	20.2	19.6	18.8
Gross Ton Miles per Train Hour:					
Steam.....	15,303	11,868	22,100	17,600	24,189
Diesel.....	46,477	44,727	42,949	43,133	45,033
Average.....	46,177	44,511	39,124	37,571	37,500

*Includes loss on disposition of locomotive coal on account of dieselization.

OPERATING STATISTICS—Continued

	1956	1955	1954	1953	1952
Averages per Mile of Road:					
Freight Revenue.....	\$ 13,899	\$ 11,933	\$ 11,171	\$ 11,241	\$ 11,959
Train Miles.....	955	913	889	900	941
Freight Train Car Miles.....	48,005	42,674	39,326	39,593	42,140
Ton Miles—Revenue Freight.....	996,559	905,237	791,221	778,313	867,463
Averages per Train Mile:					
Freight Revenue.....	\$ 14.55	\$ 13.07	\$ 12.56	\$ 12.49	\$ 12.71
Freight Cars—Loaded.....	31.5	30.2	28.5	28.1	28.4
Freight Cars—Empty.....	17.9	15.8	15.0	15.1	15.5
Tons of Revenue Freight.....	1,043.2	991.3	889.5	865.0	921.7
Gross Tons.....	2,264.5	2,124.7	1,939.2	1,917.1	1,997.9
Averages per Loaded Car Mile:					
Freight Revenue (Cents).....	46.2	43.2	44.1	44.5	44.7
Tons of Revenue Freight.....	33.1	32.8	31.2	30.8	32.4
Miscellaneous Averages:					
Revenue per Ton of Freight.....	\$ 3.97	\$ 3.55	\$ 3.87	\$ 3.51	\$ 3.36
Revenue per Ton Mile of Freight (Cents).....	1.39	1.32	1.41	1.44	1.38
Miles Hauled per Ton—Revenue Freight.....	285.0	268.9	274.1	243.1	244.0
PASSENGER TRAFFIC:					
Passenger Revenue.....	\$ 883,025	\$ 927,296	\$ 978,930	\$ 1,060,360	\$ 1,105,735
Total Passenger Train Revenue.....	\$ 2,425,953	\$ 2,409,287	\$ 2,568,725	\$ 2,721,313	\$ 2,876,795
Revenue Passengers Carried.....	180,596	163,931	178,342	209,042	234,649
Revenue Passenger Miles.....	45,145,846	49,888,596	51,783,492	56,213,938	58,505,508
Averages per Mile of Road:					
Passenger Revenue.....	\$ 274	\$ 288	\$ 304	\$ 329	\$ 343
Total Passenger Train Revenue.....	\$ 752	\$ 747	\$ 797	\$ 845	\$ 892
Train Miles.....	449	452	474	560	571
Passenger Train Car Miles.....	2,794	2,810	3,092	3,357	3,383
Revenue Passenger Miles.....	14,003	15,473	16,070	17,446	18,150
Averages Per Train Mile:					
Passenger Revenue.....	\$.61	\$.64	\$.64	\$.59	\$.60
Total Passenger Train Revenue.....	\$ 1.68	\$ 1.65	\$ 1.68	\$ 1.51	\$ 1.56
Passenger Cars.....	6.2	6.2	6.5	6.0	5.9
Passengers.....	31.2	34.2	33.9	31.1	31.8
Averages per Car Mile:					
Passenger Revenue (cents).....	22.6	24.0	22.7	23.0	23.3
Total Passenger Train Revenue (cents).....	26.9	26.6	25.8	25.2	26.4
Passengers.....	11.5	12.9	12.0	12.2	12.3
Miscellaneous Averages:					
Passenger Revenue per Passenger.....	\$ 4.89	\$ 5.66	\$ 5.49	\$ 5.07	\$ 4.71
Passenger Revenue per Passenger Mile (cents).....	1.96	1.86	1.89	1.89	1.89
Miles Carried—Revenue Passengers.....	250.0	304.3	290.4	268.9	249.3

OPERATING STATISTICS—Concluded

	1956	1955	1954	1953	1952
TOTAL TRAFFIC:					
Operating Revenue.....	\$47,991,013	\$41,615,779	\$39,189,611	\$39,706,940	\$42,170,225
Operating Expenses.....	\$37,612,524	\$33,079,561	\$33,455,323	\$35,412,225	\$36,398,428
Net Operating Revenue.....	\$10,378,489	\$ 8,536,218	\$ 5,734,288	\$ 4,294,715	\$ 5,771,797
Averages per Mile of Road:					
Train Miles.....	1,404	1,365	1,364	1,460	1,512
Car Miles.....	50,799	45,483	42,418	42,951	45,523
Operating Revenue.....	\$14,886	\$12,908	\$12,162	\$12,323	\$13,082
Operating Expenses.....	\$11,667	\$10,260	\$10,382	\$10,990	\$11,292
Net Operating Revenue.....	\$ 3,219	\$ 2,648	\$ 1,780	\$ 1,333	\$ 1,791
Averages per Train Mile:					
Operating Revenue.....	\$10.60	\$ 9.45	\$ 8.92	\$ 8.44	\$ 8.65
Operating Expenses.....	\$ 8.31	\$ 7.51	\$ 7.62	\$ 7.53	\$ 7.47
Net Operating Revenue.....	\$ 2.29	\$ 1.94	\$ 1.30	\$.91	\$ 1.18

CLASSIFICATION OF TONS OF REVENUE FREIGHT

Grain.....	1,833,354	1,608,940	1,485,781	1,172,709	1,642,704
Other Products of Agriculture.....	382,975	402,522	405,734	406,058	379,702
Animals and Animal Products.....	101,412	98,793	85,236	84,457	98,741
Products of Mines.....	3,670,274	3,968,142	2,938,863	4,154,124	4,520,999
Products of Forests.....	2,378,775	2,138,360	1,857,502	1,805,208	2,101,134
Manufactures and Miscellaneous.....	2,847,636	2,577,511	2,467,949	2,627,563	2,644,891
Total Carload Freight.....	11,214,426	10,794,268	9,241,065	10,250,119	11,388,171
Less than Carload Freight.....	59,163	57,995	61,105	67,787	71,924
TOTAL TONS—REVENUE FREIGHT.....	11,273,589	10,852,263	9,302,170	10,317,906	11,460,095

COMPARISON OF FREIGHT TONNAGE AND REVENUES

	TONNAGE PER CENT					REVENUE PER CENT				
	1956	1955	1954	1953	1952	1956	1955	1954	1953	1952
Grain.....	16.26	14.83	15.97	11.37	14.33	31.91	30.39	29.29	22.95	28.64
Other Products of Agriculture.....	3.40	3.71	4.36	3.93	3.32	3.48	4.22	4.66	4.90	4.25
Animals and Animal Products.....	.90	.91	.92	.82	.86	1.37	1.68	1.83	1.84	1.66
Products of Mines.....	32.56	36.57	31.59	40.26	39.45	11.98	13.16	11.55	15.37	16.00
Products of Forests.....	21.10	19.70	19.97	17.50	18.33	17.61	18.38	16.17	14.51	13.13
Manufactures and Miscellaneous.....	25.26	23.75	26.53	25.46	23.08	31.05	29.28	33.22	36.71	32.79
Total Carload Freight.....	99.48	99.47	99.34	99.34	99.37	97.40	97.11	96.72	96.28	96.47
Less than Carload Freight.....	.52	.53	.66	.66	.63	2.60	2.89	3.28	3.72	3.53

GRAIN MOVEMENT

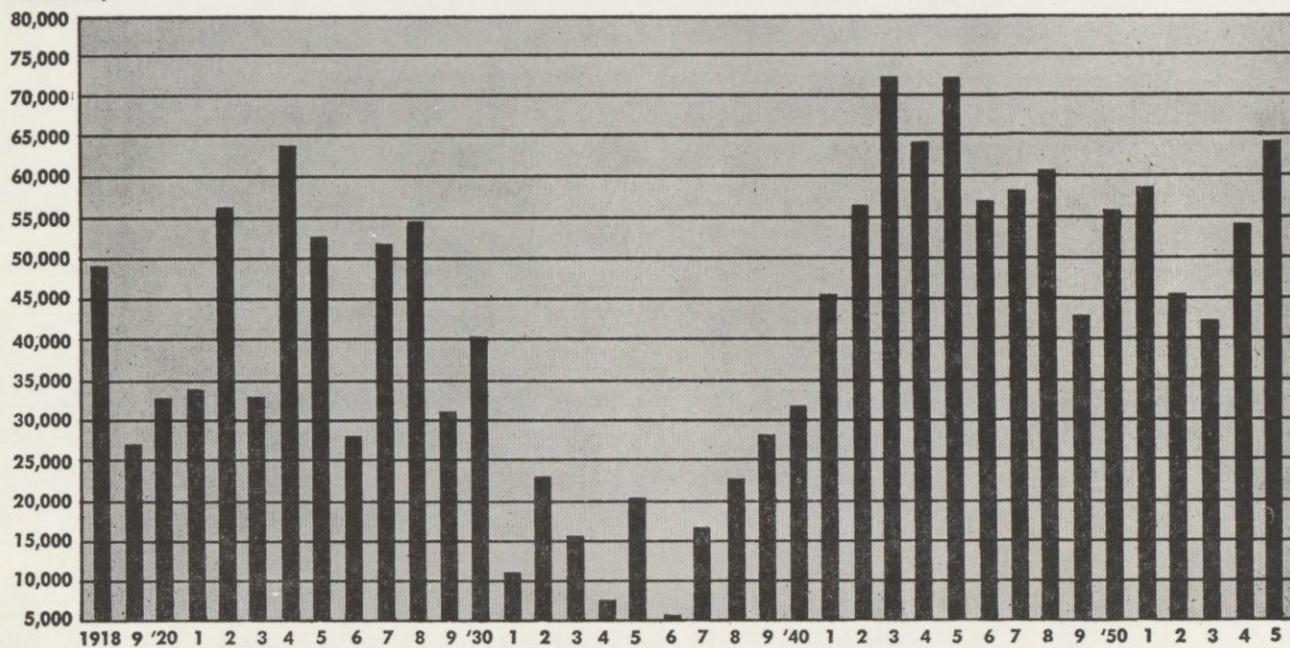
Annual movement of grain in bushels, separated between that originated on line and that received from connections in the grain territory, and other movements consisting chiefly of transfers of grain between Minneapolis and the Head-of-the-Lakes.

(000 omitted)

	Originated on Line		Total	Received from Connections		Other Movements	Total
	Jan. 1 to July 31	Aug. 1 to Dec. 31		Total	Total		
1937.....	2,147	12,427	14,574	587	15,161	3,706	18,867
1938.....	4,859	15,058	19,917	916	20,833	4,719	25,552
1939.....	7,941	17,625	25,566	1,594	27,160	3,104	30,264
1940.....	10,886	18,766	29,652	7,831	37,483	2,447	39,930
1941.....	13,549	26,165	39,714	3,433	43,147	5,127	48,274
1942.....	16,941	29,854	46,795	1,642	48,437	4,073	52,510
1943.....	26,953	38,110	65,063	14,228	79,291	10,136	89,427
1944.....	34,453	34,399	68,852	34,578	103,430	6,743	110,173
1945.....	30,437	45,748	76,185	3,692	79,877	8,832	88,709
1946.....	26,769	32,417	59,186	1,477	60,663	6,883	67,546
1947.....	24,065	39,540	63,605	1,752	65,357	6,191	71,548
1948.....	19,282	34,689	53,971	1,597	55,568	5,245	60,813
1949.....	26,786	27,299	54,085	1,202	55,287	5,712	60,999
1950.....	16,218	31,193	47,411	1,215	48,626	4,350	52,976
1951.....	25,691	34,344	60,035	1,370	61,405	5,892	67,297
1952.....	24,799	27,114	51,913	4,132	56,045	6,021	62,066
1953.....	19,223	22,700	41,923	471	42,394	6,668	49,062
1954.....	19,810	29,540	49,350	1,388	50,738	6,785	57,523
1955.....	25,017	31,525	56,542	1,108	57,650	4,473	62,123
1956.....	32,968	33,239	66,207	1,833	68,040	3,429	71,469

BUSHELS
(,000 OMITTED)

GRAIN CROP ORIGINATING ON AND MOVING OVER SOO LINE
BY YEARS IN WHICH THE CROP WAS HARVESTED



EQUIPMENT OWNED

	Jan. 1, 1956	Additions	Deductions	Dec. 31, 1956
STEAM LOCOMOTIVES				
Road.....	22	0	10	12
Switch.....	0	0	0	0
Total.....	22	0	10	12
DIESEL-ELECTRIC LOCOMOTIVES				
Road Freight 3,000 H.P.—Double Unit.....	15	0	0	15
Road Passenger 3,000 H.P.—Double Unit.....	4	0	0	4
Road Passenger 1,500 H.P.—Single Unit.....	2	0	0	2
Road-Switch-Freight 1,750 H.P.—Single Unit.....	11	1	0	12
Road-Switch-Freight 1,600 H.P.—Single Unit.....	5	0	0	5
Road-Switch-Freight 1,500 H.P.—Single Unit.....	19	0	0	19
Road-Switch-Freight 1,000 H.P.—Single Unit.....	4	0	0	4
Road-Switch-Pass. or Frt. 1,750 H.P.—Single Unit.....	7	2	0	9
Switch-various H.P.—Single Unit.....	21	0	0	21
Total.....	88	3	0	91
FREIGHT-TRAIN CARS				
Automobile Cars.....	30	0	0	30
Ballast Cars.....	140	0	3	137
Box Cars.....	4268	297	210	4355
Box Cars—Insulated.....	10	0	0	10
Caboose Cars.....	122	0	0	122
Coke Cars.....	2	1†	0	3
Flat Cars.....	267	0	20	247
Gondola Cars.....	687	0	1	686
Covered Hopper Cars.....	71	22	0	93
Hopper Cars.....	296	0	0	296
Ore Cars.....	1302	0	0	1302
Stock Cars.....	390	0	2	388
Tank Cars.....	3	0	1	2*
Total.....	7588	320	237	7671
PASSENGER-TRAIN CARS				
Baggage Cars.....	31	1	4	28
Dining Cars.....	4	0	0	4
Mail and Express Cars.....	18	0	0	18
Mail, Express and Coach.....	8	0	1	7
Passenger Coaches.....	27	0	0	27
Cafe-Lounge.....	4	0	0	4
Coach-Buffer.....	1	0	0	1
Passenger and Baggage Cars.....	13	0	0	13
Sleeping Cars.....	9	0	0	9
Tourist Cars.....	6	0	0	6
Sleeping-Restaurant and Lounge.....	2	0	0	2
Drover Cars.....	5	0	0	5
Total.....	128	1	5	124
WORK EQUIPMENT	293	15	7	301
MISCELLANEOUS EQUIPMENT	84	13	8	89**

†Converted from Stock Car.

*Tanks owned by Gedney Pickle Co. mounted on flat cars owned by this company.

**Includes 5 automobiles owned jointly with N.P. Ry. and one owned jointly with D.S.S.&A. RR.

INVESTMENT IN ROAD AND EQUIPMENT

	Road and General Expenditures	Equipment	Total
Additions and Betterments.....	\$1,786,382	\$4,040,437	\$ 5,826,819
Less Retirements.....	1,204,532	1,073,676	2,278,208
Net Increase.....	<u>\$ 581,850</u>	<u>\$2,966,761</u>	<u>\$ 3,548,611</u>

Changes by Primary Accounts

	Expenditures	Property Retired	Investment December 31, 1956
Road:			
Engineering.....	\$ 21,468	\$ 34,617	\$ 2,912,176
Land for Transportation Purposes.....	18,631	37,361	6,292,841
Other Right-of-Way Expenditures.....	991	720	288,756
Grading.....	152,329	427,130	28,568,575
Tunnels and Subways.....	.....	.....	585,583
Bridges, Trestles and Culverts.....	215,655	53,215	7,617,570
Ties.....	61,405	50,619	7,274,025
Rails.....	120,587	104,576	15,638,472
Other Track Material.....	290,068	61,042	8,993,907
Ballast.....	74,838	19,397	4,901,795
Track Laying and Surfacing.....	119,115	69,187	8,438,386
Fences, Snowsheds and Signs.....	5,773	7,309	1,441,606
Station and Office Buildings.....	156,611	34,035	4,243,024
Roadway Buildings.....	33,079	3,639	223,006
Water Stations.....	11,641	32,067	277,337
Fuel Stations.....	14	10,356	272,567
Shops and Enginehouses.....	142,255	29,883	3,883,984
Wharves and Docks.....	.....	.....	171,366
Communications Systems.....	15,854	14,325	1,262,758
Signals and Interlockers.....	66,490	26,890	854,211
Power Plants.....	15,600	379	91,501
Power Transmission Systems.....	29,234	1,966	102,653
Miscellaneous Structures.....	.....	.....	4,244
Roadway Machines.....	124,883	44,714	897,841
Roadway Small Tools.....	.....	.....	43,237
Public Improvements—Construction.....	76,711	5,433	1,706,712
Other Expenditures—Road.....	.....	.....	864
Shop Machinery.....	100,178	55,728	1,475,017
Power Plant Machinery.....	55,454	.....	177,147
Total.....	<u>\$1,786,382</u>	<u>\$1,124,588</u>	<u>\$108,641,161</u>
Equipment:			
Steam Locomotives.....	.....	\$ 474,072	\$ 473,741
Diesel-electric Locomotives.....	\$ 563,226	.....	15,947,646
Freight-Train Cars.....	2,201,850	548,340	24,649,306
Passenger-Train Cars.....	32,736	24,826	2,515,801
Work Equipment.....	42,638	7,596	1,134,029
Miscellaneous Equipment.....	39,177	18,842	197,287
Unapplied Material and Supplies—Equipment.....	1,160,810	.....	1,163,982
Total.....	<u>\$4,040,437</u>	<u>\$1,073,676</u>	<u>\$ 46,081,792</u>
General Expenditures:			
Organization Expense.....	.....	.....	\$ 168,733
General Officers and Clerks.....	.....	\$ 5,912	467,027
Law.....	.....	3,604	284,805
Stationery and Printing.....	.....	433	34,071
Taxes.....	.....	2,019	159,467
Interest during Construction.....	.....	66,678	5,252,063
Other Expenditures—General.....	.....	1,298	102,415
Total.....	.....	<u>\$ 79,944</u>	<u>\$ 6,468,581</u>
Grand Total.....	<u><u>\$5,826,819</u></u>	<u><u>\$2,278,208</u></u>	<u><u>\$161,191,534</u></u>

Figures in Bold Face Denote Contra.

MILES OF ROAD OPERATED

SOLELY OWNED

	Miles
Minnesota Division	
Portal, N. D.....to Minneapolis, Minn., W. Switch, Humboldt Yard.....	516.83
Whitetail, Mont.....to Flaxton, N. D.....	136.65
New Town, N. D.....to Prairie Junction, N. D.....	32.28
Plaza, N. D.....to Max, N. D.....	35.65
Max, N. D.....to Drake, N. D.....	48.13
Max, N. D.....to Hankinson, N. D.....	303.78
Pollock, S. D.....to Wishek, N. D.....	70.72
Grenville, S. D.....to Fairmount, N. D.....	83.61
Total Minnesota Division.....	1,227.65
Winnipeg Division	
Noyes, Minn.....to Glenwood, Minn.....	265.05
Kenmare, N. D.....to Dakota Junction, Minn.....	296.35
Armourdale, N. D.....to Egeland, N. D.....	21.86
Drake, N. D.....to Fordville, N. D.....	130.41
Total Winnipeg Division.....	713.67
Minneapolis-Duluth Division	
Minneapolis, Minn., 5th Avenue North..to W. Switch, Humboldt Yard.....	4.74
Minneapolis, Minn., Camden Place...to Weyerhaeuser, Wis.....	112.87
Minneapolis, Minn., Columbia Heights..to Hilo Junction.....	1.09
St. Paul, Minn.....to Cardigan Junction, Minn.....	8.14
Dresser Jct., Wis.....to Superior, Wis., 28th Street.....	103.34
Superior, Wis., 12th Street Junction...to Interstate Bridge.....	1.89
Duluth, Minn., Interstate Bridge.....to 10th Ave., Freight House.....	1.39
Summit, Wis.....to St. Croix Falls, Wis.....	2.00
Ridgeland, Wis.....to Barron, Wis.....	18.52
Rice Lake, Wis.....to Cameron, Wis.....	6.84
Superior, Wis.....to Conn. with N. P. Ry.....	.68
Plummer, Minn.....to Moose Lake, Minn.....	167.83
Lawler, Minn.....to East Lake, Minn.....	5.09
Ironton, Minn.....to Crosby, Minn.....	1.00
Boylston Jct., Wis.....to Brooten, Minn.....	175.88
McGregor, Minn.....to Conn. with N. P. Ry.....	.06
Total Minneapolis-Duluth Division.....	611.36
Gladstone Division	
Weyerhaeuser, Wis.....to Sault Ste. Marie, Mich.....	378.72
Wisconsin Jct., Wis.....to Winnebago Junction, Wis.....	118.76
Appleton, Wis., North Wye.....to End of Track.....	1.00
Rapid River, Mich.....to Eben Junction, Mich.....	30.54
Total Gladstone Division.....	529.02
Total Solely Owned.....	3,081.70

JOINTLY OWNED

Sault Ste. Marie, Mich.—Joint with D. S. S. & A. R. R.	1.72
Minneapolis, Minn.—Joint with N. P. Ry.....	.88
Bemidji, Minn.—Joint with N. P. Ry.....	.19
Nashua, Minn., to Hankinson, N. D.—Joint with G. N. Ry	29.05
Schley, Minn., to Bemidji, Minn.—Joint with G. N. Ry.....	24.40
Deerwood, Minn., to Cuyuna Range Mines—Joint with N. P. Ry	19.87
Total Jointly Owned.....	76.11
Total Mileage Owned and Operated.....	3,157.81

MILES OF ROAD OPERATED—Concluded

Total Mileage Owned and Operated (brought forward) 3,157.81

TRACKAGE RIGHTS

Over Wisconsin Central Railroad

Superior, Wis., 28th Street.....to Tower Avenue.....	2.41
Duluth, Minn., Berwind Jct.....to 6th Avenue.....	4.71
Winnebago Jct., Wis.....to Menasha, Wis.....	4.25
Ladysmith, Wis.....	1.75
Total Over W. C. R. R.....	13.12

Joint With Wisconsin Central Railroad

St. Paul, Minn.....N. P. Ry., Soo Line Jct. to W. C. Jct., Trout Brook Jct. to 3rd St..	2.15
St. P. U. D. Co., 3rd St. to Sibley St.....	.85
Minneapolis, Minn.....M. & St. L. Ry., 20th Ave. South to 4th Ave. North.....	.81
N. P. Ry., 4th Ave. N. to 14th Ave. N.....	.59
Superior, Wis.....D. S. Br. Co., Superior, Wis., to Duluth, Minn., Interstate Bridge	.54
L. S. T. & T. Ry., Tower Ave.....	.43
N. P. Ry., Grassy Point Line, Superior, Wis., to Duluth, Minn...	2.05
Duluth, Minn.....N. P. Ry. & C. St. P. M. & O. Ry., 8th to 15th Ave. West .....	.37
Total Joint with W. C. R. R.....	7.79

Other

St. Paul, Minn.....W. C. Jct. to Trout Brook Jct.—N. P. Ry.....	.28
C. St. P. M. & O. Ry. and C. M. St. P. & P. R. R., Sibley St. to	
Chestnut St.....	.79
C. M. St. P. & P. R. R., Chestnut St. to Minneapolis, Minn.....	10.54
Sault Ste. Marie, Mich.—Ste. Marie Bridge Co.....	.52
Deerwood—McGregor, Minn.—N. P. Ry.....	30.84
Superior—Ore Dock Line & Hill Ave. Yard—N. P. Ry.....	.47
Total Other.....	43.44
Total Soo Line Mileage Operated.....	3,222.16

MILEAGE OPERATED AS AGENT FOR WISCONSIN CENTRAL R. R..... 1,030.65

Less mileage common to both Soo Line and W. C. R. R. 66.50

Total System Mileage Operated, December 31, 1956..... 4,186.31

MILES OF ROAD OPERATED IN EACH STATE

	Soo Line	W. C. R. R.	Less Common Soo Line- W. C. R. R.	System
Montana.....	56.89	.....	.....	56.89
North Dakota.....	1,311.67	.....	.....	1,311.67
South Dakota.....	108.49	.....	.....	108.49
Minnesota.....	1,015.03	75.16	49.63	1,040.56
Wisconsin.....	506.54	863.81	16.87	1,353.48
Michigan.....	223.54	20.07	.....	243.61
Illinois.....	.....	71.61	.....	71.61
Total.....	3,222.16	1,030.65	66.50	4,186.31

SOO LINE TRAFFIC REPRESENTATIVES

You, as a stockholder, can play an important part in the movement of traffic, both freight and passenger, which is so vital to your company, by informing Soo Line traffic representatives of prospective movements; also by giving them information regarding relocation and expansion of industries that might be interested in locating in the territory served by your company. Sales and service agencies are maintained in the principal cities of both the United States and Canada, as listed below, and they would appreciate any such information that you might be able to give them.

Location	Name	Address	Telephone No.
ATLANTA 3	H. F. Nelson, Dist. Pass. Repr.	Cit. & Sou. Nat. Bk. Bldg.	Lamar 3866
BIRMINGHAM 3	W. S. Glover, Dist. Sales Mgr.	Brown Marx Bldg.	Tel. 53-2832
BISMARCK	A. P. Simon, Dist. Sales Mgr.	Soo Line Depot.	Capital 3-5422
BOSTON 10	Wm. H. Schenk, Dist. Sales Mgr.	Chamber of Commerce Bldg.	Hancock 6-7441
BOSTON 16	R. G. Williamson, Gen. Agt., Pass. Dept.	Little Bldg.	Hancock 6-4323
BUFFALO 3	J. B. Campbell, Dist. Sales Mgr.	Ellicott Square Bldg.	Madison 8830
BUFFALO 2	A. C. Nieman, Gen. Agt., Pass. Dept.	Liberty Bank Bldg.	Cleveland 0102
CHICAGO 4	A. T. Peterson, Gen. Sales Mgr.	Board of Trade Bldg.	Harrison 7-0565
CHICAGO 3	T. J. Nolan, Dist. Pass. Repr.	39 S. La Salle St.	Andover 3-5940
CINCINNATI 2	I. M. Kiley, District Frt. Agent	Dixie Terminal Bldg.	Cherry 1-1203
CINCINNATI 2	L. P. Dooley, Gen. Agt., Pass. Dept.	Dixie Terminal Bldg.	Main 1228
CLEVELAND 14	D. T. Walen, Dist. Sales Mgr.	Union Comm. Bldg.	Main 1-3353
CLEVELAND 14	E. A. Kenney, Gen. Agt., Pass. Dept.	Union Comm. Bldg.	Tower 1-1971
DALLAS 1	A. E. Gorman, District Frt. Agent	Kirby Bldg.	Sterling 5161, 5162
DALLAS 1	R. C. Snider, Trav. Pass. Agt.	Kirby Bldg.	Sterling 5161, 5162
DETROIT 26	B. Hermanson, Dist. Sales Mgr.	National Bank Bldg.	Woodward 2-4015
DETROIT 26	F. F. Hardy, Gen. Agt., Pass. Dept.	Book Bldg.	Woodward 3-7820
DULUTH 2	J. T. Hartnett, Regional Sales Mgr.	Soo Line Tml. Bldg.	Randolph 2-5801
DULUTH 2	A. E. Sword, Dist. Pass. Repr.	Soo Line Tml. Bldg.	Randolph 2-5801
EAU CLAIRE	J. B. Benson, Dist. Sales Mgr.	Soo Line Depot.	Temple 2-1552
EDMONTON	John Holloway, Dist. Sales Mgr.	C. P. R. Office Bldg.	Tel. 25864
INDIANAPOLIS 4	L. F. McMahon, Dist. Freight Agent	Merchants Bank Bldg.	Melrose 6-8003
KANSAS CITY 6	J. L. Donohue, Dist. Freight Agent	Waldheim Bldg.	Victor 2-2235
KANSAS CITY 6	G. R. Watson, Dist. Pass. Repr.	Waldheim Bldg.	Victor 2-5531
LOS ANGELES 14	R. T. Nelson, Dist. Sales Mgr.	519 Van Nuys Bldg.	Van Dyke 0338
LOS ANGELES 14	A. D. Macdonald, Gen. Agt., Pass. Dept.	530 W. 6th St.	Michigan 8337
MEMPHIS 3	C. D. Seiss, Dist. Freight Agent	Exchange Bldg.	Jackson 5-2233
MENASHA	K. H. Peterson, Regional Sales Mgr.	Soo Line Depot.	Tel. 2-2891
MILWAUKEE 3	E. S. Rogers, Jr., Regional Sales Mgr.	217 North Plankinton Ave.	Broadway 1-2643
MILWAUKEE 3	D. H. Bliss, Pass. Repr.	217 North Plankinton Ave.	Broadway 1-2643
MINNEAPOLIS 1	G. B. Shimek, Regional Sales Mgr.	501 2nd St. No.	Federal 2-1261
MINNEAPOLIS 2	O. W. Hartwell, Dist. Pass. Repr.	Soo Line Bldg.	Federal 2-1261
MINOT	H. W. Monson, Dist. Sales Mgr.	Soo Line Depot.	Tel. 43-136
NEW ORLEANS 12	C. C. Watson, Dist. Frt. Agt.	Hibernia Bank Bldg.	Canal 7097
NEW YORK 7	A. O. Plunkett, Eastern Sales Mgr.	Woolworth Bldg.	Cortlandt 7-0628
NEW YORK 17	J. E. Roach, Gen. Agt., Pass. Dept.	581 Fifth Ave.	Plaza 9-4433
OMAHA 2	F. H. Pitzl, Dist. Frt. Agent	W. O. W. Bldg.	Atlantic 9752
PHILADELPHIA 9	G. T. Young, Dist. Pass. Repr.	Fid.-Phila. Trust Bldg.	Pennypacker 5-0612
PITTSBURGH 19	H. K. Willson, Dist. Sales Mgr.	Grant Building.	Atlantic 1-3860
PITTSBURGH 19	M. T. Jackson, Dist. Pass. Repr.	648 William Penn Place	Atlantic 1-2306
PORTLAND 5	J. J. Pearce, Dist. Sales Mgr.	Pitcock Block.	Capital 7-3716
PORTLAND 5	E. J. Dahlberg, Dist. Pass. Repr.	Amer. Bank Bldg.	Capital 7-2044
ST. LOUIS 1	J. C. Waddell, Dist. Frt. Agent	Railway Exchange Bldg.	Main 1-4768
ST. LOUIS 2	J. J. Brown, Gen. Agt., Pass. Dept.	Boatmen's Bank Bldg.	Garfield 1-2135
ST. PAUL 1	R. F. Donnett, Regional Sales Mgr.	483 East 7th St.	Capital 2-1891
ST. PAUL 1	R. L. Battleson, Dist. Pass. Repr.	352 Robert St.	Capital 2-1891
SAN FRANCISCO 5	E. M. Ostby, Dist. Sales Mgr.	Monadnock Bldg.	Yukon 6-2466
SAN FRANCISCO 8	E. W. Travis, Gen. Agt., Pass. Dept.	185 Post St.	Douglas 2-0134
SAULT STE. MARIE	R. E. Howard, Dist. Sales Mgr.	Soo Line Depot.	Me. 2-2243 and 2-2244
SEATTLE 1	B. R. Olson, Dist. Sales Mgr.	Vance Bldg.	Seneca 0345
SEATTLE 1	P. H. S. Godden, Gen. Agt., Pass. Dept.	White-Henry-Stuart Bldg.	Main 6275
SPOKANE 1	H. T. Mitchell, Jr., Dist. Sales Mgr.	Old Natl. Bank Bldg.	Temple 8-2901
SUPERIOR	O. A. Ness, Frt. and Pass. Agt.	Soo Line Depot.	Tel. 3213
THIEF RIVER FALLS	O. D. Gifford, Dist. Sales Mgr.	Soo Line Depot.	Tel. 127
TORONTO	M. P. Petrie, Dist. Sales Mgr.	Can. Pacific Bldg.	Empire 3-0584
VANCOUVER	Ernest Jacquest, Dist. Sales Mgr.	Can. Pacific Sta.	Pacific 2212
WASHINGTON 6	J. A. C. Blair, Gen. Agt., Pass. Dept.	1504 K St. N. W.	National 8-4235
WINNIPEG	C. A. Johnson, Dist. Sales Mgr.	C. P. R. Office Bldg.	Tel. 926-197 and 926-198
WINNIPEG	C. N. Holt, Gen. Agt., Pass. Dept.	C. P. R. Office Bldg.	Tel. 903-215
WINSTON-SALEM 3	W. T. Dickson, Sales Repr.	Reynolds Bldg.	Park 2-0821



